

# **COMMITTEES AND COMMISSIONS IN INDIA**

**1947 - 1973  
Volume XI: 1971 — 73**

**VIRENDRA KUMAR**

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*DEDICATED TO*

MY NEPHEW

**LATE Dr. SREE PRAKASH SRIVASTAVA**

(DEPARTMENT OF ECONOMICS  
UNIVERSITY OF ALLAHABAD)

**WHO LEFT US ON DECEMBER 14, 1987**

## INTRODUCTION

The Eleventh Volume attempts to understand and analyse the activities of the various "Committees and Commissions" during the period 1971 to 1973 which have received, as far as the previous Volumes are concerned, scant attention from even bibliographies and documentation experts. It is known that governments all over the world largely rely on Committees and Commissions for their decision on particular subjects. Governments make extensive use of Instrument of Public Enquiries which ultimately help in lessening managerial tensions as well as in quietening the allegations of misrule. According to John Stuart Mill "A man seldom judges right, even in his own concerns, still less in those of the public, when he makes habitual use of knowledge but his own or that of some single adviser". Thus the "Committee System" greatly helps the proper functioning of a democratic set-up.

A Commission is a "Government Agency created to perform a particular function such as a special investigation or on governmental regulations of business". It is appointed mainly when it is thought that a matter involves some financial question. There are other reasons for which a Commission is appointed, e.g. in matters pertaining to the welfare of the State and its citizens and for improving the efficiency in an administration. The status of a Committee is the same as that of a Commission, but it does not possess powers as wide as are enjoyed by a Commission and has to limit itself in relation to specific work assigned to it under its term of reference. While assuring at decisions in the form of recommendations, a Committee or Commission ensures that such decisions are representative of the interest of various types of people and also a safeguard against abuse of power.

Committees and Commissions always advise a Government offering valuable suggestions and recommendations for smooth operation and efficiency in administration for the welfare of the people.

A Committee or a Commission comprises a Chairman, the Members and the



Member-Secretary (sometimes there is also a Vice-Chairman and an Assistant Secretary). In some cases there are even One-Man Commissions and enquiries conducted by such Commissions are entrusted to an Official-on-Special Duty or a Judge of the High Court.

The Chairman of a Commission is a person well versed in legal affairs and is often a retired judge of High Court or the Supreme Court of India. Occasionally a Member of Parliament is also appointed to the post of Chairman of a Commission. Regarding Committees, the Chairman is usually a specialist in the subject of the Committee. He can be a Leader or a Convener also if he leads a Panel, Study Group or a Delegation, etc.

The Members of a Commission, Committee, Panel Study Group, Working Group etc. are specialists in their respective fields and provide valuable guidance to the Commission in making recommendations.

The Member-Secretary or Secretary is nominated from among the experienced officials who have the requisite competent knowledge of the subject on which the Commission or the Committee is appointed.

The Study of the "Committees and Commissions" is divided into two main parts

- I Pre-Independence:- From 1772 to August 1947; and
- II Post-Independence:- From August 1947 to 1973.

The First Volume covers the period from August 1947 to 1954; the Second Volume covers the period from 1955 to 1957; the Third Volume covers the period from 1958 to 1959; the Fourth Volume covers the period from 1960 to 1961; the Fifth Volume covers the period from 1962 to 1963; the Sixth Volume covers the period from 1964 to 1965; the Seventh Volume covers the period 1966; the Eighth Volume covers the period 1967; the Ninth Volume covers the period from 1968 to 1969; the Tenth Volume covers the period 1970 and the present Volume, Volume Eleventh in the Series covers the period 1971 to 1973.

The work provide information on subjects like Bibliographical Data of the Committees and Commissions, the Chairman, Leader, Convener etc., Appointments, Terms of Reference, Contents and Recommendations.

**Arrangements** The arrangements in the "Committees and Commissions" are chronological and items have been arranged according to their dates of appointment and not according to their date of publication.

I am sure, that this reference work will continue into a number of Volumes, for it is unique in nature. I have spared no efforts to make it a comprehensive reference work and it will be of great use to research scholars, sociologists, historians, economists, students of political science, as well as to all those connected with the study of administration and legal affairs. I have tried my level best to rectify all errors of commission and omission that I noticed in previous Volumes. It will be my effort to go on improving these volumes. The introductory part in Volume I deals with the *why*, *what* and *how* of the "Committees & Commissions".

In the end, I must express my gratitude to the press that reviewed and appreciated the work. I am also indebted to my wife and children who have sacrificed their personal comforts by providing me with every facility to make this volume ready for publication within a reasonable short time. I am also indebted to Mr. Ashok Kumar Mittal, Concept Publishing Company for printing and publishing this volume after a gap of some years and this Volume, could see the light of the day.

NEW DELHI  
*BUDDHA PURNIMA*  
1st MAY 1988

VIRENDRA KUMAR

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## REFRATORIES COMMITTEE, 1971.

### Report, Delhi, Controller of Publications, 1973. 232p + iiip.

**Chairman:** Shri Hari Bhushan.  
**Members:** Shri T.R. Anantharaman; Dr. V.G. Bhatia;  
 Dr. S.P. Varma; Dr. S.S. Ghosh; Shri N.B. Ghosh (replaced by Shri B.B. Nadgir); Shri J.C. Banerjee (retired, replaced by Dr. D.N.N. Nandi); Shri B.S. Krishnamachar.  
**Secretary:** Shri S. Vangala.

#### APPOINTMENT

Serious shortage in the supply of refractories of requisite quality and inadequate quantities to the steel plants have been affecting the production in the existing steel plants as well as the construction schedule of the Bokaro Steel Plant. Adequate availability of refractories of various categories and of the required specifications is essential to meet the recurring operational and maintenance requirements of the steel plants and for the creation of new capacities for production of iron and steel. To plan the production of refractories to fit in with the steel development programme, Government have decided to appoint a Committee vide their Resolution No. RM-5(6) dated January 7, 1971 to examine this problem in all its aspects and to make suitable recommendations.

#### TERMS OF REFERENCE

(a) To make a quantitative estimate of the requirements of different categories of refractories, by type and quality, needed by the Steel Industry in the next 5 years both for maintenance and construction purposes;

(b) To assess the existing installed capacity in the country for the manufacture of different categories of refractories, to analyse reasons for shortfalls in production and to suggest suitable measures to raise the production to the level of rated capacity;

(c) To examine and recommend the extent of additional capacity that should be set up, and in what stage, to meet

adequately the needs of the steel industry as a whole in the next 15 years, the number and optimum size of the units required, the relative economics of setting up new units vis-à-vis increasing the capacity of existing units or reviving units which have closed down for various reasons and the extent to which new units should be set up in the public sector either as captive units or otherwise;

(d) To assess the capacity available in the country for manufacture of plant and equipment needed for the manufacture of refractories and recommend suitable measures to meet the likely demand for such equipment;

(e) To examine the scope of standardisation in the specifications for refractories and to make suitable recommendations;

(f) To assess the availability of the resources of raw materials such as magnesite, chromite, bauxite etc. to support the development of refractory industry in the country; and

(g) Any other matter germane to the subject.

#### CONTENTS

Historical Development of Refractory Industry in India; Refractories Committee; Refractories and their Usage in Steel Plant; Demand of Refractories; Availability of Refractories; Analysis of Demand and availability of Refractories; Steps to bridge the Gap; Standardization of Refractories; Raw Materials; Equipment for Manufacture of Refractories; Acknowledgements; Annexures A to N.

#### RECOMMENDATIONS

##### Fireclay Refractories

The general experience of the public sector steel plants has been that when tenders are invited, response from the refractory industry is not satisfactory. In a recent tender of the Rourkela Steel Plant for 21,000 tonnes of refractories needed by the stiff plastic process for blast furnace stores,

only one or two firms had responded. Even in this case, the delivery indicated was protracted.

On a detailed analysis, it was found that the public sector tendering procedure is one of the contributory factors for non-availability of offers for fireclay refractories. When the private sector plants purchase refractories, an agreement is reached between the buyers and sellers so that the latter get a mix of the difficult and less difficult items of refractories, the difficult ones being extruded items and hand moulded refractories involving large variety of shapes in small quantities which lower down the production of the refractory unit whereas when the public sector plants call for tenders, the tendency for the refractory industry is to quote for the relatively easier items leaving out the more difficult ones for which the steel plants seek imports.

It has also been found that the capacity available for fire bricks is not balanced. When bricks are to be manufactured by extruding process requiring large space for drying in shade and suitable firing facilities, the situation today in the refractory industry is such that where extrusion facilities exist, the other facilities of spaced, shade or firing are not available or where the latter facilities exist, extrusion press is not available.

Further, where requirements are of hand moulded bricks and substantial investment in moulds and extra space is required for such manufacture the refractory industry is not willing to commit itself to the additional expenditure in the absence of a firm indication from the steel plants that they would load their capacity on a continuing basis. If a system could be devised whereby long-term commitments can be entered for such difficult items, it was found that the refractory industry was willing to incur such an expenditure and supplies to steel plants could be ensured on a more regular and sustained basis.

Another reason for lack of adequate supplies of fireclay refractories has been the problem of specification including varying specifications. The Sub-Committee on Standardisation is already seized of this problem and specification of their recommendations would go a long way in resolving this problem.

Generally, of the fireclay refractories the following items are found to be difficult to obtain within the country and, as such, imports may become necessary until the capacity within the country is balanced. These are:

- (i) Hollow warelike, parring refractories, stoppers, well blocks, bloating nozzles, sleeves bottom pouring refractories and Brassett checkers.
- (ii) Hand moulded refractories.
- (iii) Soaking pit refractories.
- (iv) Recuperator tubes, high alumina hearth bricks for reheating furnaces.

It is suggested that, wherever possible, the steel plants should consider a switch from Brassett checkers to McKee checkers which are more easily available. It is, however, agreed that such a conversion may not be possible immediately and could be carried out over a long period only. It is suggested that the public sector plants should take note of these shortages and include the items in their product-mix. Further, while granting new letters of intent, the Ministry of Industrial Development should insist upon inclusion of these difficult items in their product mix. Even where letters of intent have already been granted, this could be pursued by the

Ministry of ID & IT.

For soaking pit cover refractories, it is recommended that there should be a progressive change over to the monolithic refractories. The use of monolithic refractories would replace bricks of various shapes and sizes required on the soaking pit covers. It would also facilitate hot repairs to be effected. It has been found that the life of covers had increased considerably with use of monolithic refractories.

For stoppers and nozzles, it was found that the CGCRI had synthesised a bloating clay and a sample is being prepared for trials at Alloy Steel Plant, Durgapur. With wider acceptance of continuous casting technology, there would be increasing demand for quality zircon nozzles. Certain developmental work has been carried out in the country by NML, CGCRI, Belpahar Refractories and Mukand Iron & Steel Works. Further work in this direction is necessary to bring up the production of these refractories both in quantitative and qualitative terms. Development of bloating clays should be vigorously pursued and the Japanese example of usage of bloating clays for manufacture of ladle refractories should be considered because of its better performance.

It has been agreed that after the steel plants call for annual tenders for their requirements of refractories and thus come up against items for which there are no suitable offers, a list of such items be sent to the DGTD for their examination. The DGTD would then consult with the Indian Refractories Makers' Association. On the basis of such a discussion, a meeting is to be held under the Steel Ministry to come to an understanding if any of these items require import. This could be an annual exercise to be carried out between January and February of every year. It was also agreed that this meeting could be a proper forum to discuss backlog of orders with the indigenous manufacture and for taking corrective action.

### Basic Refractories

In the detailed discussions which the Export Group had with Steel Plants, only Durgapur Steel Plant mentioned that they had some difficulty in getting basic bricks. On examination, it was found that the difficulty was due to the unwieldy size of magnesite bricks for lining of inactive mixers (individual weights of bricks being 40-70kg.) and the difficulty in obtaining Detrick shapes for the Open Hearth Uptakes. On examinations, it was found that it would be possible to obtain the Detrick shapes within the country. For the mixers, it is recommended an alternative lining design be employed which would not require such heavy bricks which are being used by Bhilai. It is suggested Durgapur Steel Plant pursue this matter on these lines and come to a satisfactory solution.

In the context of attaining self-sufficiency in refractories, it is emphasized that steel plants should vigorously take up work of alteration to lining design if such alteration enables them to obtain the requirement of refractories within the country without affecting their production.

### Silica Refractories

In so far as silica refractories are concerned, in 1971 there ought to have been a surplus capacity of coke over silica bricks and a shortfall for other than coke over silica refractories. Since capacities for production of coke over

silica and other than coke over silica are interchangeable, it is likely that a part of the coke over silica capacity got diverted for meeting the other than coke over silica demand.

From the statement, it would be seen that the coke over silica bricks demand is periodical and fluctuates considerably. It is, therefore, considered desirable for the steel plants to carry at any time an inventory of bricks required for rebuilding of one battery or in the alternative, at least, the requirements of special shapes and sizes for a battery which are difficult to obtain within a short time may be carried on stock.

To take care of fluctuation in demand and to utilise capacity better, it would be necessary for the steel plants to book coke over silica capacity on a long-term basis at least for the next 3/5 years. This could be done on a revolving basis, i.e., after a year is over another year's requirements can be added so that always there is a 3 year plan of ordering. Two batteries at Durgapur Steel Plant, 3 batteries at Rourkela, three batteries at Durgapur are in an unsatisfactory condition and it should be possible to programme their rebuilding more precisely. If long-term orders can be placed on manufacturers they will try to preserve the moulds. Otherwise, the capital blocked and cost of storage coupled with the uncertainty of future orders may not encourage the manufacturers firstly to invest in the moulds and secondly to stock the moulds. With the number and variety of coke oven shapes timely availability of moulds plays an important role in ensuring supply of bricks when wanted.

Further, the rebuilding requirements of coke over battery should normally come from one source of supply. In the case of all batteries in operation in the country, except the Bhilai batteries, the battery is composed of two half sections. It was agreed that in such cases, it was sufficient if requirements of one section, i.e., half battery were obtained from one source. It was also found that except in case of Indian Firebricks and Insulation Co. who are planning a capacity of 9,000 tonnes coke over silica by mid 1973 there is no other source of additional availability for silica bricks.

### Problems of Electric Furnaces

Due to the variety of design and electric ore furnaces of varying sizes set up over a long period in the past it was found that the refractory manufacturers find it difficult to meet the requirement. The furnaces of the future would be generally of the 10/20 T capacity which is likely to result in standardisation of refractories needed by them. A measure of standardisation for other furnaces with a rammed mass in the centre of the roof and only a few sizes with radial concentric lining was also distinctly possible. It would facilitate a number of manufacturers to supply the requirement.

Similarly the basic wall bricks as well as ladle lining require to be standardized. These aspects have already been taken up for investigation by the Steel Furnace Association in consultation with the IRMA. This would also be looked into by the Standardisation Sub-Committee. Indian Refractory Makers Association Vice-President, Dr. Ghose, offered this assistance since a considerable work in this direction has been put in by Belpahar and several of the electric furnace users who are their clients are already using such shapes to their advantage.

The problems experienced in obtaining stopper heads could be overcome to a certain extent by usage of fireclay

stopper head wherever possible. For clay graphite stoppers, availability of raw material is a bottleneck and import of raw material has to be allowed as required.

As in the case of the main steel plants the problems could be overcome by periodical discussions between the Steel Furnace Association of India and Indian Refractory Makers' Association with the assistance of the DGTD and the Department of Steel.

### Miscellaneous

As a result of the work of this Committee, it has been possible to bring together the main consumers and the producers of refractories in the country to appreciate more fully each others' difficulties and point of view. A large amount of useful data about availability and demand of refractories has also been compiled. Due to non-availability of some data and lack of coordination on any one point of reference, in the past, shortages both in terms of quantity and quality had occurred resulting in large scale import of refractories. It is, therefore, suggested that the demand and availability projections obtained in this report be subjected to a review. The Refractories Panel where both producers, steel plants, research bodies and the Government are represented, was considered the best forum for carrying out this exercise on an annual basis. At least one meeting of the Panel every year should devote itself to this analysis and the projections brought up-to-date.

The problems of technological nature and import substitution should be referred to the Refractories Panel. It is learnt that the Panel would be setting up a Specialist Group which would study these problems and report back to the Panel.

To produce refractories to the quality stipulations of steel industry every manufacturer should have minimum testing facilities. The Indian Refractory Makers' Association shall make this assessment listing out member units and giving detailed list of equipment required for each unit. The DGTD should take steps to ensure that plants in the organised sector are equipped for this purpose.

The Central Glass and Ceramic Research Institute should provide the necessary testing wherever required to the industry. Testing of Refractories is included as one of the objectives of this Institute since its inception as this is the only statutory laboratory recognised by the Government of India, including Defence, for this purpose. The available equipment and personnel can handle about 400 samples in a year. Out of these samples on an average 80 are perceived from steel plants, 160 are sent by the refractory manufacturers and other consumers of refractories, 160 are for internal investigations in progress at the Institute. It may be pointed out that Bokaro Steel Ltd. get almost all their refractory samples tested at this Institute at the beginning of their constructional programme and the same is expected to be repeated by all new steel plants. The quantum of such work is expected to be of the order of 80 samples per year per steel plant of 2 million tonne capacity. In addition, the quantum of work for the petroleum industry is expected to increase considerably.

The present testing facilities at the Institute are inadequate to cope with the increasing work load and requirements of the new steel plants proposed to be set up in the country in the 5th and 6th Five Year Plans. The petro-



chemical industries are also growing and the refractories required by them will also have to be tested by this Institute.

Under these circumstances it is desirable to augment the testing facilities at Central Glass and Ceramic Research Institute from the present 400 samples per year to at least 600 samples annually. On a rough estimate the financial provision required for executing the project is likely to be as follows:

- (i) Capital Rs. 4.5 lakhs.
- (ii) Recurring Rs. 10 lakh per year.

While this may provide a short term solution, looking further ahead for an independent Institute for refractories would be worth considering. The Refractory Industry today has a turnover of Rs. 40 crores annually. Refractories are one of the essential inputs for the steel industry. Considering the large steel development programme envisaged by the country

and rapid structural changes in steel technology requiring ever more stringent performance requirement from refractories, it would appear desirable to have a Refractories Research Institute as a separate entity. A combined Research Institute for refractories, glass ceramics, enamels and potteries may not provide the right emphasis required for research and development of refractories suited to the local conditions and materials.

Import of steel required for manufacturing of moulds by the refractory makers should be allowed if the indigenous manufacturers are not able to supply the requirements.

In priority allocation of steel, requirement of steel for cladding of bricks required by steel plants should receive the same priority as the direct steel requirements of steel plants.

## COMMITTEE ON TECHNICAL CONSULTANCY SERVICES, 1970. Report, Delhi, Manager of Publications, 1971. 125p.

Chairman: Shri R. Venkataraman.  
Members: Shri K.B. Rao; Dr.D.Kalelkar; Shri K.D.N. Singh; Shri.R.P. Sinha; Shri G.Janakiram; Dr K.R.Chakravorty; Dr. K.S. Chari; Shri. R.M. Sharangpani; Shri Hari Bhushan; Shri M.Satyapal.  
Secretary: Shri N.N. Agarwala.

### APPOINTMENT

The lack of consultancy services was a serious handicap during the early stages of our development after Independence. For example, the three steel plants at Rourkela, Bhilai and Durgapur were constructed more or less on a turn-key basis with assistance from abroad. The same had to be with many other projects, both in the public and private sectors. However, the progress made during the last decade or so, has led to the establishment of a good number of consultancy, process design and other engineering service organizations. In fact, some of them have been complaining of insufficient utilisation of their services. This may be partly due to lack of appreciation of the role of conciliating engineers, absence of information about the services available in the country and the still lingering preference for turn-key jobs from abroad. The problem is somewhat similar to that of securing orders for marketing indigenously manufactured capital goods, for it takes time to create confidence that competent skills exist in the country. Seized of this situation, two committees were set up one by the Ministry of Industrial Development to look into the question of foreign technical collaborations and the other by the Planning Commission to study the problems relating to technical consultancy services. The objective of both the studies was to provide the necessary guidelines for speeding up the pace of industrial development with increasing reliance on domestic talent and equipment.

The Committee on Consultancy Services was set up by the Planning Commission in February 1966. The original

composition of the Committee was as follows:

Chairman: Shri G.S. Barve.  
Members: Dr. A. Nagaraja Rao; Shri K.L. Ghei(replaced by Shri T. Swaminathan); Shri K.B. Rao; Shri P.C. Kapoor; Shri G. Janakiram; Shri R.P. Sinha; Dr. K.R. Chakravorty; Dr.K.S.Chari.  
Member: Owing to the sudden demise of Shri S.G. Barve.  
Secretary: In addition, certain other changes in the posts held by the members of the Committee occurred as a result of which the Committee was re-organised in April 1967 as shown below:  
Chairman: Shri M.S. Thacker.  
Members: Shri K.B. Rao; Dr. B.D. Kalelkar; Shri Ajit Mazoomdar; Shri G. Janakiram; Shri R.P. Sinha; Dr. K.R. Chakravorty; Dr.K.S. Chari; Shri R.M. Sharangpani.  
Member: Shri Hari Bhushan. Subsequently, Shri M.S.  
Secretary: Thacker relinquished charge as a member of the Planning Commission. Shri Ajit Mazoomdar went on a long period assignment to a foreign country and Shri Hari Bhushan joined the Department of Iron and Steel. Accordingly the Committee had to be re-constituted in February, 1970.

### TERMS OF REFERENCE

(i) To suggest the general type of organisational matters for the technical consultancy establishments which will be suitable for our conditions;

(ii) To recommend suitable measures to expedite the establishment of technical consultancy services to the requisite extent in the country;

(iii) To advise on the pattern of technical collaboration or association, which may be necessary for drawing on foreign technical know-how to the required extent;

(iv) To assess the extent and types of technical consult-

ancy services required to meet the country's needs during the Fourth Plan period and subsequent years;

(v) To assess the existing facilities available in the country in both the public and private sectors, and locate the gaps to be filled; and

(vi) To advise on the measures to be taken to fill the gaps.

## CONTENTS

Introduction; Nature and Types of Services of Technical Consultants; Regulation of the Profession; Conditions of Engagement and Scales of Fees; Measures for the Promotion of Indigenous Consultancy Services; Export of Consultancy Services; Main Conclusions and Recommendations; Appendices I and II.

## RECOMMENDATIONS

### Technical Services

1. The services rendered by technical consultants can be classified into (1) Project Planning, (2) Project Designing, (3) Project Implementation, and (4) Project Evaluation. The professional engineers undertaking technical services can be broadly categorised as (a) consulting engineers, (b) process engineers, and (c) contracting engineers.

2. Consulting Engineers: Consulting engineers primarily undertake the planning and implementation of the projects. The process employed and the basic data for the process are generally obtained from the process engineers. Divergent views were expressed before the Committee regarding the definition of a consulting engineer. One view was that the consulting engineers should be "independent" with no financial or commercial interests in manufacturing or contracting unit. The 'independent' consulting engineer could generally evaluate the comparative merits and select best of the available process and equipment for his client. His judgment was not likely to get influenced so that the client stood to gain. Another view was that consulting engineers could be part of or 'associates' of equipment/product manufacturers, contractors or process suppliers. A consulting organisation 'associated' with a manufacturer could offer turn-key projects with guarantees of construction, time, costs, and performance and, therefore, was more appropriate to the present stage of our development.

3. Process Engineers: These firms are sellers of the basic process and know-how and render an important service to the projects. They specialise in particular process and cater, by and large, to the requirements of a section of a plant and have a complementary role. Their services can be obtained directly by the client or through the overall consultant, except in those rare cases where it is possible to engage the process suppliers and plant designers wholly to the exclusion of the other group.

4. Contracting Engineers. They undertake the construction and erection of plants, based on the design and engineering done by the consulting/process engineers. It was suggested to the Committee that the role of contracting engineers should be recognised in view of their overall responsibility and the 'turn-key' project concept.

5. After taking into account the various views, the Committee has come to the following conclusions:

(i) Consulting engineers may be grouped into two categories (a) 'independent consultants' and (b) 'associated consultants'. Both types of consulting engineers have developed in India. They are helping in construction of indigenous projects, exports of consultancy services and turn-key projects. There appears to be need to disturb the existing pattern, although with the growth of a larger number of competing equipment and product manufacturers, the independent consulting engineers will grow and gain in importance.

(ii) The consulting engineers who form part of or are associated with any contracting organisation or manufacturer of product or equipment, should specify their status clearly so that the client knows their interests beforehand.

(iii) There is wide scope for the growth of process and equipment design organizations whose efforts are complementary to those of consulting engineers.

(iv) The manufacturers of equipment should strengthen their research and design cells and concentrate their efforts more on product design and development.

(v) The consulting as well as the contracting engineers are essential for setting up of projects and both should be given due recognition.

### Regulation of the Profession

6. Engineering services have taken roots in this country during the last ten-fifteen years and time is now opportune to place them on sound footing. There was general agreement that in order to develop this profession on healthy lines and to avoid undesirable elements/practices, there should be an All India Institution(s)/Association(s) on the lines of the Indian Institute of Chartered Accountants to lay down proper standards of education, experience, capability, capacity etc. There could be one All-India Institution/Association to represent both the 'independent' and 'associated' consultants; or else, there might be two such institutions/associations to represent the two types of consultants separately.

7. The proposed Institution(s)/Association(s) should prepare a Code of Conduct which should be followed by all practicing consulting engineers. After examining the different standards/codes of conduct followed in other countries, the Committee was of the view that it was not advisable to adopt in entirety the U.K., U.S., Japan or any other foreign model. After taking due account of the developments in India, the objective of the proposed Code should be to encourage growth of consultancy services on sound lines, to make the services efficient, reliable and internationally competitive. The Code should also promote good relations between the consultants, contractors and project owners.

8. The proposed All India Institution(s)/Association(s) will be useful particularly in respect of the following:

(i) Being an All India Organisation(s) with Government recognition it will be able to lay high standards of discipline for the members.

(ii) Its standing will inspire confidence of the clients in its members.

(iii) It would more effectively represent the interests of the profession before Government and the public.

(iv) The unhealthy and self-defeating spectacle of rival claims by different bodies claiming to represent the same interests would be avoided.

(v) It would undertake, on behalf of its members, an examination of major projects planned for the future in order to identify the extent to which work could be assigned to its members.

(vi) It would provide an effective forum through which its members could advantageously consult each other on matters of common interest.

(vii) It would serve as the centre for documentation of information on consultancy and projects and thus it will be the store-house of latest techniques and processes known to Indian consultants.

9. It is too early to establish such an Institution(s)/Association(s) by an Act of Parliament and to enforce its regulations through law. A start should be made initially by organising the proposed Institution(s)/Association(s) on voluntary basis and the Government recognising the Institution(s)/Association(s). After a few years of its working and in the light of experience gained, legislation could be undertaken to make it a legal entity parallel to the Institute of Chartered Accountants.

10. In order to expedite the formation of the proposed Institution(s)/Association(s) and to deal with other related problems, the Government should set up a broad-based 'Panel of Experts' headed by a senior official of the Government of India with representatives of consultancy organizations of both categories (independent and associated), process and design engineers, contracting engineers, product and equipment manufacturers in the private and public sectors and Government Departments dealing with consultancy services and projects in one form or the other, with the following terms of reference:

(i) To decide whether there should be only one All-India Institution/Association to represent all types of Consultancy Organisations or there should be two—one to represent 'independent' consulting engineers and the other for 'associated' consulting organisations.

(ii) To decide whether any one of the existing All-India Institution(s) /Association(s) should be recognized for this purpose or else a new organisation(s) set up.

(iii) To prepare the Constitution of the proposed Institution(s)/Associations.

(iv) To set up and arrange registration of the proposed Association(s)/Institution(s) under the Societies Act of 1886 and recognition by the Government.

(v) To prepare guidelines for the appointment of consultants and fixation of their fees and other terms and conditions of their contract.

#### Conditions of Engagement

11. The Committee agreed with the view that engagement of consultants and fixing of their fees should be in accordance with the international practices adjusted to the Indian conditions. Price cutting and competitive bids should be avoided. Contracts should be awarded to the consultants based on their capability and experience and reasonableness of the bids. The consultants should follow the same standards and practices as are observed by the medical practitioners and Chartered Accountants. The method of calling tenders for appointment of consultants should be used only sparingly. Negotiations for striking a proper bargain cannot be ruled out. The quality of performance of a job would

depend more on the competence and reputation of the consultant.

12. The proposed Institution(s)/Association(s) of the Consulting Engineers when set up could undertake to introduce guidelines and standards (as drafted by the Experts Panel) amongst the consulting engineers. The Institution(s)/Association(s) should also prepare model contract forms for consultancy and contract jobs to safeguard the interests of clients on the one hand and consulting engineers on the other, and thus introduce high professional standards.

#### Promotion of Indigenous Consultancy Services

13. Foreign consultants have been often employed for the purpose of obtaining project reports, process designs and detailed engineering services in preference to Indian organizations. The foreign consultants are, on the other hand, not familiar with the Indian equipment, raw materials and industrial conditions and on the other, they have a bias for the equipment used and processes followed in their own country. This results in their recommending foreign processes and equipments. Sometimes this is done under pressure from the aid giving countries. On the whole, this not only entails foreign exchange losses, the country also misses the opportunity for gaining the necessary knowledge and experience in the setting up of new projects. The Committee, therefore, recommends that the Government should lay down policies which would ensure:

(i) The utilisation of the best and most up-to-date techniques of production suitable for Indian condition;

(ii) Maximum utilisation of the consultancy and engineering services available in the country and providing opportunities for their further development; and

(iii) Allowing import of foreign know-how and consultancy services only where absolutely necessary for the development of the industrial structure of the country.

14. Proper goodwill should be created for the facilities which are now indigenously available. Effective steps (as suggested below) are necessary for removing the bias in favour of foreign consultants and equipment:

(i) The proposed All-India Institution(s)/ Association(s) should prepare annually a monograph of know-how, processes, technologies, and equipment which are available in the country on the basis of information collected from consultants, process engineers, contractors and manufacturers. This will on the one hand publicize the facilities available in the country and on the other permit proper discretion regarding imports.

(ii) All cases of engagement of foreign consultants whether for public or private sector must require prior approval of Government.

(iii) Frequently, in the case of private sector projects, consultancy charges are a covert element in the price of imported equipment. This element must be clearly spelt out.

(iv) In all foreign collaboration agreements, a condition should generally be included to the effect that the Indian consultancy organisations will be associated for preparing feasibility study reports, lay out designs and for planning the engineering work. This will pave the way for building and improving the technological base of Indian consultants and process engineers.

(v) Even where foreign consultants have otherwise to be appointed, it should be made conditional that as far as possible and keeping in view the technology of production suitable for India, designs shall be developed on the basis of indigenously available equipment.

(vi) Where foreign consultants and/or suppliers of equipment refuse to take overall responsibilities for the entire plant if indigenous equipment is partly used, the project owners should accept guarantees of satisfactory performance offered by the indigenous equipment manufacturers and contractors.

15. Divergent views were expressed before the Committee regarding the import of know-how and consultancy services. Keeping all the factors in view, the Committee arrived at the following conclusions:

(i) Import of process know-how and equipment design should preferably be through consulting/process engineers. This would avoid the need to import the same know-how repeatedly, ensure quicker implementation and lower expenditure of foreign exchange.

(ii) This should not, however, tie the consultants and process engineers to a particular know-how, technology or process in a permanent or static way. The consultants and process engineers should keep themselves up-to-date and give up their interest in technologies and processes in which they hold rights in favour of latest and most up-to-date know-how. Client's interest in avoiding obsolescence has to be safeguarded.

(iii) In order to broad-base the industrial structure of the country and introduce latest know-how, import of new and improved processes and technologies for manufacture of the same product should be permitted when there is a demonstrable advantage in doing so.

(iv) Import of know-how and process designs should be as far as possible on non-exclusive basis.

(v) Import of package deals and turn-key jobs should not ordinarily be permitted.

(vi) Product and equipment manufacturers may not be precluded from acquiring the know-how and process designs from foreign countries to keep themselves up-to-date subject to the conditions that it is not on exclusive basis and it does not involve expenditure on machinery and equipment which can be fabricated within the country.

(vii) Facilities of foreign exchange for import of literature and for studies and re-orientation in foreign countries should be given to the Indian consultancy and process design organisations to enable them to acquire up-to-date knowledge.

(viii) The banks in India should regard consultancy and process design work as a regular business and offer advances on merits for meeting working capital requirements.

(ix) Proper liaison should be established between the Research Laboratories, Equipment and Product Manufacturers, Consultancy and Process Design Organisations. This will help to quicken the implementation and commercial use of the results of indigenous research, design and development.

16. The Committee noted the latest policy framework within which consultancy organisations with foreign collaborations are permitted to be set up in India. While such collaborations need not be discouraged, the guidelines provided and the powers already enjoyed by Government can

be suitably used for ensuring that the country is progressively enabled to take up consultancy work for its own development, that knowledge and experience accumulates and that as little work as possible is contracted to outsiders. The guidelines could be enlarged to advantage on the basis of the following:

(i) Collaboration between Indian consultancy firms and foreign consultancy firms may be encouraged on the basis of specific projects in preference to foreign consultancy firms opening branches here.

(ii) Where Indian consultancy organisations or those with foreign collaboration already exist and do not have sufficient work load, new units in the same field with foreign collaboration should not be allowed except when they perform work on jobs to be put up outside India.

(iii) Foreign exchange should not generally be spent for feasibility studies.

(iv) The main work of compilation of data and designing of the plant and equipment must be done within the country, if necessary, by inducing assistance from foreign experts.

17. The Committee feels that in order to encourage the development of indigenous consultancy services, some fiscal reliefs are necessary. The following measures would go a long way in ameliorating the financial hardships faced by the consultancy organisations and would help their steady growth:

(i) The banks should grant loans on easier terms to enable engineering organisations to meet their working capital needs. Consultancy and process engineering should be treated on par with other industries for purposes of bank loans.

(ii) The rate of income tax for consultancy work should be lower than that applicable to other corporate bodies.

(iii) Income-tax should be levied on the average income of the past three years.

(iv) Indian consultancy organisations should be permitted to create special tax free reserve funds (like development reserves) from earnings during good periods to help them tide over occasional lean periods.

(v) Tax rebates should be permitted on fees received by indigenous organisations for passing on the available know-how.

### Requirements of Consultancy Services

18. The consultancy charges vary from 5 to 15 per cent depending on the type of projects, specialisation involved etc. and, on an average, such costs could be placed at 10 per cent of the project costs. The investments during the Fourth and subsequent Plans will provide ample work to indigenous consulting/ process engineers.

19. The Committee feels that given suitable opportunities, Indian consultancy organisations would not be hindered by inadequacy of personnel. Apart from recruiting highly experienced and skilled personnel from within the country, efforts have to be made to get back the migrated Indian personnel working abroad by offering suitable assignments and conditions for work.

20. The Committee recognises that there are some gaps in consultancy and engineering services to be covered. The

position in this respect is as follows:

(i) Process know-how: Where there are restrictions to pass on the know-how to others in collaboration agreements, difficulties arise in dispersing the know-how and import from competitive sources for new projects becomes necessary. For some sophisticated industries not yet established in India, there are gaps in indigenously available process know-how. In such cases, foreign assistance has to be obtained which should preferably be on non-restrictive basis.

(ii) Detailed engineering: Once know-how details become available, the detailed designing and engineering of a plant could be satisfactorily undertaken by Indian consultancy organisations. With the increase in indigenous content of projects made possible, there is need for utilising indigenous capacity for detailed engineering, except in the case of most sophisticated engineering design for which the use of foreign consultants as supervisors may still be necessary.

(iii) Procurement and Inspection: In special cases where the process know-how has to be obtained from abroad for the first time, the help of a few foreign personnel for supervision may be necessary.

(iv) Start-up and performance guarantees: Local consultants who have taken part in plant design may be capable of supervising the start-up and helping to achieve the performance guarantee. Wherever necessary, services of personnel from similar plants in operation or of foreign experts could be availed of.

(v) Product and equipment design: There is an imbalance between product design and production capacities in a large number of industries. The Committee feels that the main efforts required for correcting this imbalance should come from the plant manufacturers themselves. It would be better if the large design offices created along with various plants in both public and private sectors, are used more for product design and development. This would also result in reduction in their preoccupation with project design work which is mainly the function of consulting engineers.

21. The Committee reviewed the observations and recommendations made by a Study Group on Industries in which foreign technical assistance was no longer considered necessary and suggested that, as a first step, use of foreign consultancy services with regard to the listed industries need not be allowed. This list should be periodically reviewed. Renewal of foreign collaboration agreements is resorted to on the plea of expansion and taking up the production of a new model or product. This often results in neglect of own effort to improve product design and process know-how. Extensions of collaboration agreements should be permitted in exceptional cases only.

22. Apart from the gaps in respect of functions, the gaps in certain specific sectors have also been studied which are summarised in the following paragraphs.

23. Hydro Stations: The Central Water & Power Commission and the State Electricity Boards are well equipped to carry out all the work needed for planning and setting up of hydro electricity stations. A number of consultancy organisations both in the public and private sectors render engineering services in this field.

24. Thermal Stations: The Committee found that the existing consultancy organisation within the country would be adequate to take up the work involved in the setting up of

thermal power stations in future.

25. Water & Power Development Consultancy Services (India) Limited has been set up in 1969 to provide engineering and related technical consultancy services for development of water resources, irrigation and drainage, electricity, flood control, etc.

26. Heavy Electricals Units at Bhopal and Hardwar are producing various types of equipment needed for electricity projects but depend upon their collaborators for securing design engineering for the equipment. The Research & Development Organisation for Electrical Industry (RDOEI) has been set up to prepare project reports, and to undertake consultancy and design work in electrical fields.

## Telecommunications

27. The Telecommunications Research Centre undertakes design of telecommunication equipment and systems required by the P & T. All the designs evolved so far are without any foreign collaboration for know-how. The Research & Development Department of the P & T is also carrying out design and development work for specialised equipment for defence, railways and other users. Telephone equipment of different types and grades is now being manufactured in India without foreign collaboration. There are, however, various electronic components, such as, permalloy laminations, mylar capacitors, integrated circuits, etc. for which India will have to import the necessary know-how.

## Railways

28. The Research, Designs & Standards Organisation under the Railway Board is well equipped to undertake consultancy services, import substitution, engineering services, preparation of designs and standards. RDSO is also rendering services for export of railway equipment as also for railway installations in some of the underdeveloped countries. India is more or less self-sufficient in all railway projects.

## Ports

29. The country is not self-sufficient in providing consultancy services for the working and development of ports in India. In case of bigger ports and special problems, foreign consultants and engineers are employed.

## Iron & Steel Plants

30. Some foreign assistance might be required in the detailed design and engineering for the main equipment. Steps have to be taken to develop these capacities quickly. Collaboration agreements would be necessary for L.D. Converters, similar to the ones now entered into by the Heavy Engineering Corporation for blast furnaces, coke ovens and concast plants. The CEDB should be strengthened to undertake work in fields in which India is not self-sufficient.

31. The Committee feels that the major equipment manufacturers could enter into licence agreements in

selected fields with proper agencies in developed countries. The deficiency could be filled by:

- (i) Liberal arrangements for taking up process know-how from abroad.
- (ii) The existing heavy engineering or consultants should enter into technical collaboration with their counterparts abroad to obtain their research, development and designs for specialised and sophisticated equipment.
- (iii) Strengthening of the heavy engineering units particularly the I.I.E.C. by having design cells attached to them for designing specialised equipment for steel plant.
- (iv) Strengthening of the CEDB which could in course of time undertake to work on lines in which India is still not self-reliant.

#### Aluminium

32. The NIDC has emerged as a fully equipped consultancy organisation in this field, with their taking up the Korba and Koyana Aluminium projects. The Committee understands that for the development of facilities for process know-how, an organisation in the nature of Aluminium Research Institute is proposed to be developed with the existing facilities in the National Metallurgical Laboratory as the nucleus. The Committee would urge that steps be taken early to fill this gap, to ensure near self-sufficiency.

#### Coal Mining

33. There is no single indigenous organisation which can completely cover the technical consultancy services for the coal mining projects through organisations like NCDC, Sofra Mines(India)Ltd., and Civil and Mining Engineering Consultants that can undertake the bulk of the consultancy work. In addition a few organisations like the Garden-reach Workshop, Mining & Allied Machinery Corporation, Heavy Engineering Corporation and Healy & Gresham have developed sufficient design competency in selected fields.

34. The Planning & Development Division of the National Coal Development Corporation has now gained sufficient know-how and experience even for deep mines, and can undertake preparation of feasibility and project reports for future mines. Some of the deficiencies of the design and development cell of the NCDC could be supplemented by the MAMC. The consultancy services in the field of coal mining covered by the indigenous organisations need the following assistance:

- (i) They have to be supplemented in the design engineering field by indigenous manufacturers of mining equipment, particularly MAMC.
  - (ii) In specialised fields, such as new ventilation standards, hydraulic pneumatic stowing, introduction of new coal face mechanisation and support, development of very deep mines etc., the services of foreign experts should be allowed for a few years till expertise in these fields is built up.
35. Adequate facilities exist for working out the design parameters of coal washeries. Similarly, all the equipment required for coal-washerries can be procured from within the country.

#### Mining—other than Coal

36. Geology and exploration: The Committee noted that expertise and facilities exist in the country for ground geo-physical and geo-chemical surveys, mapping, surface and

underground drilling, exploratory mining and ore appraisal. There are, however, no facilities to carry out air-borne geo-physical surveys. It is desirable to build up technical competence in the field.

37. Comprehensive geological investigations and appraisals of copper, lead, zinc, and iron ore deposits and development of large mines can now be carried out by Geological Survey of India and NMDC. In specific cases, however, if the services of expert drilling contractors from abroad are utilised, proper standards in ore drilling and sustained high rate of ore recovery could be built up.

#### Mining

38. NMDC has built up considerable expertise for preparation of feasibility studies, choice of mining systems, mine layout development and operational know-how. The area in which foreign assistance would be required is in respect of up-to-date shaft sinking and tunneling technique. Our engineers could be sent abroad for training.

#### Beneficiation

39. NMDC has so far utilised the services of foreign consultants for the project concept, layout etc., of ore crushing, screening, washing and loading plants for the Bailadila iron ore project. The know-how in the country for the beneficiation of iron ore fines by jigging or other methods is limited and it is necessary to have large scale tests outside the country and our plants designed accordingly. In the area of detailed engineering, good progress has been made by the Indian consultancy firms but there are gaps which have to be filled early.

#### Metallurgy

40. Process know-how is required in cases like flash smelting of copper concentrates, hydro-metallurgical techniques. In such cases, patents could preferably be obtained instead of taking them on the basis of tied credits and associated foreign consultancy with restrictive uses. In the field of procurement and construction work, Indian know-how is sufficiently developed and use of foreign consultants should not be necessary.

#### Fertilisers

41. Complete consultancy services for the setting up of a fertiliser plant are now available indigenously. With the acquisition of know-how for ammonia, urea, ICI steam reforming process, Prayon phosphoric acid process and central Prayon hemi hydrate phosphoric acid process, the Planning & Development Division of the Fertiliser Corporation (FEDO) of the Fertilisers and Chemicals Travancore Ltd. can take up new projects on 'turn-key' basis. In order to keep pace with the advanced technology, a good deal of research and pilot plant studies will be necessary.

#### Petroleum Refining and Petro-Chemical Industries

42. Apart from Engineers India Ltd., a public sector organisation set up to provide the necessary consultancy services in this field, other private consultancy organisations are also building up expertise for speedy and fuller development of indigenous know-how. The Committee is of the view that Indian organisations should be engaged as the prime consultant for all future refineries. Arrangements may

also have to be made for close link-up of the experience gained by such organisations and problems covered by the Indian Institute of Petroleum.

(i) Process know-how: Initial purchase of process know-how with no restriction on repetitive use is desirable in petroleum refining and petro-chemicals. This could be done by either IOC or indigenous consultancy organisations.

(ii) Process Design: Once the process know-how is obtained, the process design work should be taken up by indigenous design engineers. The services of foreign experts should be permitted where necessary.

Very little progress has been made to build the necessary facilities for process design in the field of petro-chemicals. This needs urgent attention. Incentives for development of such facilities on desired lines may be considered.

(iii) Detailed Engineering: The detailed engineering can all be done in the country on the basis of process designs. Specialist assistance may be required in areas like (a) Design of thermally rated heat-exchangers; (b) Design of distillation trays and columns; and (c) Refinery heaters and furnaces.

(iv) Shop Drawing: Normally such drawings are prepared by the manufacturers of equipments themselves. Assistance may, however, have to be rendered by the consultancy organisations in view of inadequate drawing office facilities with some of the manufacturers.

43. The Committee studied the remaining industries, like heavy inorganic chemicals, sugar, cement and paper and found that the consultancy services in the country were more or less adequate.

44. The Committee has tried to identify areas where India has gained self-sufficiency and where the imports of consultancy services, process know-how, shop designs, detailed engineering were necessary. This does not, however, purport to be true for all times. Fields in which presently there is self-sufficiency may require imports of process know-how and consultancy services in view of the technological developments in foreign countries. On the contrary, fields in which presently there is need for import, India may acquire self-sufficiency with the research technological developments being accomplished in the country. The proposed All-India Institute(s)/Association(s) of Consulting Engineers should prepare annually an authentic document indicating fields in which the country has gained self-sufficiency and gaps that still exist where imports are necessary.

45. On the basis of the Five Year Plans, the proposed Institution(s)/Association(s) may prepare a programme for developing consultancy and process engineering services needed for projects included in the Plan.

46. For effective utilisation of the consultancy services available in the country, the proposed Institution(s)/Association(s) should arrange from time to time meetings of consulting/process engineers, contractors, equipment manufacturers, project owners/promoters, D.G.T.D., C.S.I.R. and other research organisations.

## Exports

47. The development of consultancy and engineering services in this country is of recent origin, and primarily directed to import substitution. In several fields, India has

built up capacities and gained experience which can be utilised to render engineering services to other developing countries.

48. India has an advantage over the more developed countries in providing consultancy services and undertaking 'turn-key' contracts in the neighbouring countries either for building up infrastructural facilities or for establishing industrial projects by virtue of her experience under similar conditions. India has reached self-sufficiency stage in respect of buildings, structurals, roads, bridges, rail transport, irrigation, power and telecommunication. She can establish complete projects of consumer industries like textiles, sugar, cement, paper, oil, food products, soap, cosmetics, leather, wool, beverages, alcoholic preparations and similar products, as also many types of mechanical, chemical, metallurgical and mining industries. Projects could be set up with varying capacities to suit local demand. Further, the comparatively low cost of Indian engineering services is an advantage over the advanced countries.

49. India can render technical and organisational assistance to all developing countries in establishing small-scale industries with latest industrial technology and to undertake manufacture of various sophisticated items like radios, T.V. sets, automobile parts, colours, pigments etc.

50. In order to build up the exports of consultancy and engineering services from India, the Committee recommends the following lines of action:

(i) Conducting pre-investment surveys and preparation of pre-feasibility reports would be a distinct advantage for securing consultancy contracts in foreign countries.

(ii) Advance knowledge and information of the National Plans and the projects selected for execution will make consultancy organisations and equipment manufacturers ready with their bids to compete.

(iii) For meeting the requirements of package deals for turn-key jobs, consortia of consultants, process and design engineers and suppliers of equipment should be organised.

(iv) It may become necessary for the Indian consultancy organisations to go in for partnerships with reputed organisations in other countries and/or to accept subcontracts from international firms.

(v) The proposed Institution(s)/Association(s) may bring out a Directory giving the names and fields of service of all consulting/process engineers, equipment manufacturers and contracting organisations in India and forward its copies to Embassies in foreign countries.

(vi) Registration with the International organisations like World-Bank, UNIDO, Asian Bank etc. would enable Indian consultancy firms to obtain consultancy jobs allotted on global basis.

(vii) In the interests of export of technical services and industrial equipment, credit facilities may have to be extended to developing countries which are short of foreign exchange and lack financial and other resources.

(viii) The banks may undertake to finance complete projects involving turn-key jobs and payments for contracts over long periods.

(ix) A Foreign Projects Development Fund may be created by the Institution(s)/ Association(s) for undertaking studies and establishing close contacts in foreign countries.

# EXPERT COMMITTEE ON MULTI-STATE COOPERATIVE SOCIETIES LEGISLATION, 1971. Report, New Delhi, Ministry of Agriculture (Department of Cooperation), 1972. 221p.

Chairman: Shri Udaybhansinhji.  
Members: Shri S.S. Puri; Shri H.M. Joshi; Dr. C.D.  
Datey Shri L.N. Renu; Shri M.M.K. Wali; Shri  
P.L. Gupta; Dr. S. Dandapani.  
Member-Secretary: Shri A. Das.

## APPOINTMENT

Cooperative societies with objects extending beyond one State, are at present governed by the Multi-Unit Cooperative Societies Act 1942, which is a Central Act. When this Legislation was enacted, there were only a few multi-unit (multi-State) cooperative societies, most of which were employees' thrift and credit societies. The State Reorganisation Act, 1956, incorporated suitable provisions in the Multi-Unit Cooperative Societies Act to govern such single-State societies which became multi-unit societies consequent on the reorganisation of the States. A special feature of this MUCS Act is that it is not a comprehensive legislation containing detailed provisions for the incorporation, regulation and winding up of multi-unit cooperative societies; it is only an enabling legislation which facilitates incorporation, regulation and winding up of multi-unit societies in terms of the Cooperative Societies Acts of the States where the principal place of business of the society is located. In other words, different multi-unit societies are governed by different cooperative laws according to which their principal place of business is located.

Since 1942 when the MUCS Act came into force, the cooperative movement has witnessed substantial transformation, in terms of its organisational structure, diversification of activities as also in the overall size of operations. A significant feature of these developments is the emergence of national federations of cooperatives in different spheres of cooperative activities. Large reliance is now sought to be placed on these national level organisations for providing leadership and support to their respective sectors of the movement.

The new development has led to the demand for a comprehensive legislation for all multi-unit cooperative societies. The Working Group on Cooperation (1968) set up by the Administrative Reforms Commission observed:

"The emergence of national and regional federations and growing inter-State relations between cooperatives require a full fledged Central Legislation governing various aspects of these Societies".

Similarly, a Study Group appointed by the National Cooperative Union of India had also emphasised that the national level cooperative organisations should be brought under the direct purview of the Central Registrar and, for this purpose, a comprehensive legislation should be enacted.

The Government of India have, in the context of

cooperative development in the country, recognised the need of a comprehensive Central legislation and, in pursuance of this need, appointed an Expert Committee under the Notification of the Ministry of Agriculture (Department of Cooperation) No.1/11011/7/70- Coord, Dated the 4th March, 1971.

## TERMS OF REFERENCE

The terms of reference of the Committee are:-

1. To recommend the scope of comprehensive Central legislation and the basis on which the same is to be framed;
2. To consider the desirability of categorisation of Multi-unit Co-Operative Societies on the following or any other suitable basis:
  - i. National Cooperative Federations;
  - ii. Societies having membership residing in more than one State;
  - iii. Other multi-unit cooperative societies having objects extending beyond one State.
3. To consider and recommend the extent of powers and responsibilities of the Central authorities and the extent to which the same can be delegated to the State authorities in respect of different categories.
4. To consider other related matters.

## CONTENTS

Introductory; historical background and critique of the present legislation; Suggested scope of the proposed legislation; Preliminary; Central Registrar and Registration of Societies; Members and their rights and liabilities; Management of Cooperatives; Privileges of Multi-State Cooperative Societies; Audit, inquiry, inspection and surcharge; Settlement of disputes; Winding up and cancellation of registration of cooperative societies; Execution of awards, decrees, orders and decisions; Appeal; Societies which become multi State, Miscellaneous, Rules making powers; Administration of the Legislation; Concluding Observations; Annexures from I to XVII.

## CONCLUDING OBSERVATIONS

The constitutional responsibility of the Central Government for multi-state cooperative societies and the emergence of national federations in recent years, have underlined the need for a comprehensive Central legislation governing various aspects of the functioning of multi-State cooperatives. We have, as required by our terms of reference, suggested in this Report a broad frame-work for the proposed Multi State Cooperative Societies legislation. The contours of the legislation we have suggested, follow the



general pattern of the Indian cooperative legislation; but, in filling in the details, necessary changes have been indicated to suit the requirements of multi-state cooperative societies.

The scope of the legislation we have recommended, reflects the cooperative principles enunciated by the Commission on Cooperative Principles of the International Cooperative Alliance. Besides, States policies on Cooperation, which need legal recognition and support, and which are relevant to the multi-state societies, have been suggested for incorporation in the proposed legislation. In the chapter on "Suggested Scope of the Proposed Legislation", besides recommending the lines on which provisions are to be made, and explaining the rationale underlying such provisions, we have also at the conclusion of each part of that Chapter, stated the types of provisions that may be made. We would hasten to add that these are not intended to be a draft of the proposed legislation; our main objective is to focus attention on the important points that need to be incorporated on the proposed legislation. To give those provisions the shape of draft legislation, a suitable legal harness will be necessary.

On some of the basic issues relating to membership, constitution of management, and finances of multi-state co-operatives we have suggested a flexible approach to facilitate the growth, particularly of the national federations, to suit the needs of the fast expanding cooperative movement.

Regarding categorisation of societies for the purpose of delegation of the functions of the Central Registrar, our view is that multi-State cooperative societies could be classified into two categories only viz. national federations and others. It is appropriate that the Central Registrar appointed by the Central Government should himself deal directly with the national federations. Registration of all multi-State societies should also be the responsibility of the Central Registrar. In respect of other societies and other matters, the functions of

the Central Registrar may be delegated to the officers of the Central Government, State Registrars and other senior officers of the State Cooperative Departments or other Departments dealing with cooperatives.

In terms of the present Multi-Unit Cooperative Societies Act, 1942, different multi-State societies are governed by different State Cooperative Societies Acts, and all powers of the Central Registrar have also been delegated to the State Registrars. The proposed legislation will bring under its purview all multi-State societies in respect of all matters relating to incorporation, operation, management, finances etc. The comprehensive legislation we have recommended, covers all multi-State societies and the pattern of delegation of powers of the Central Registrar and vests the appellate powers in the Central Government with large executive responsibility for the promotion of multi-State societies and the administration of the legislation. This brings into focus the need for adequate administrative machinery. We have, therefore, suggested that a senior officer of the Union Department of Cooperation should be appointed, as at present, as the Central Registrar with adequate supporting staff including officers on whom some of the powers of the Central Registrar could be conferred.

Cooperative movement, it is true, cannot be created by legislation; but it is equally true that, 'without an appropriate legislative framework, a cooperative movement in the form of a growing economic organism is not possible or even conceivable'. The suggested multi-State cooperative societies legislation is of special significance to the national federations which have a catalytic role in fostering a strong, healthy, democratic cooperative movement in the country for the benefit of the farmer, the artisan and the worker. Our labour, we consider, would be amply rewarded if our suggestions and recommendations help in designing early an appropriate legislation for the multi-State cooperative societies.

## STUDY GROUP ON ROAD SAFETY SUB - COMMITTEE ON ROAD ACCIDENTS IN HILL AREAS, 1971.

Report, Delhi, Manager of Publications, 1973. (Bound with the Study Group on Road Safety) pp. 136-149 and 169-172.

Chairman: Shri Tulsidas Jadhav.  
Members: Dr. N.S. Srinivasan; Col. U.S. Anand; Shri R.P. Sikka; Shri C.L. N. Iyengar.  
Hon. Secretary: Shri K.G. Subramaniam.

### APPOINTMENT

In view of the numerous tragic road accidents that have occurred recently in the hill areas of the country, the Government of India constituted on the 31st March, 1971 a Sub-Committee of the Study Group on Road Safety.

### TERMS OF REFERENCE

To consider specifically the problem of road accidents in

the hill areas and make recommendations.

### CONTENTS:

Introduction; General; Old Hill Roads; New Hill Roads; Nature and Volume of Traffic; factors of Hill Road Usage; Causes of Accidents; The Human Factor; Overspeeding; Drunkenness and driving under Fatigue; Driving Lapses; The Enforcement Authorities; The Vehicle; Mechanical Condition; Overloading; Size; Road Conditions; General; Lack of facilities; Road-side liquor Shops; Recommendations on Engineering measures; Design; Other safety Features; Protective Measures; Plantation; Breast Walls; Terracing; Shelters; Snow Fences; Dips; Drainage; Normal Maintenance; Emergency Maintenance; Special Enforcement Requirements; Driver; Special Endorsement on Licence;

Hours of Duty; Rest Rooms; Intoxicant; Special Training; Free Wheeling; The Vehicle; Age; Mechanised Tests; Size of Vehicles; Overloading; Chocks and Reflectors; Lay-Byes and Breakdown; Towing Vans; Miscellaneous; Wireless Traffic Aid Posts; Repair Facilities; Look Outs; Stacking of Construction Material and Equipment; Water Supply; Summary of Conclusions and Recommendations.

## RECOMMENDATIONS

The practice of authorising hill routes on the basis of trial runs of over-sized vehicles under controlled conditions should be avoided. Where such traffic had already been authorised and further regulation is considered not feasible, their improvement to suitable design standards for the operation of such vehicles should be urgently taken up.

Since accidents of buses operating on hill roads are attended with serious loss of life, measures for the checking of their condition and for their being driven only by specially qualified drivers should be taken. Also, the overloading of such buses, under all circumstances, should be prevented.

Audible warning of approach by sounding the horn should be given by drivers when they negotiate blind curves and corners.

Severe action should be taken against persons found driving vehicles on hill roads without valid driving licences.

In designing curves, gradients and cross-sectional features of the road, principles of safety as enumerated under item 7.31 of chapter 7 should be adhered to as far as possible.

At the ends of long descending grades, speed breaking ramps should be provided to protect runaway vehicles.

Passing zones should be provided at every 500 metres along single line roads for the safe passing vehicles.

One-way traffic should be resorted to in all single lane sections of hill roads where movement of traffic both ways is considered unduly hazardous.

Centre line markings should be adopted at all curves.

Delineators and warning signs should be liberally installed along hill roads.

Protective measures such as breast walls, terracing, shelters, snow fences, passing of dips, afforestation of slopes and longitudinal drainage should all be adequately provided/arranged.

Both normal and emergency maintenances should be more prompt and should be of a much higher standard than that for roads in the plains. In addition, mechanical equipment should be employed for their expeditious completion.

Persons who wish to drive heavy commercial motor vehicles on hill roads should get their driving licences endorsed for driving on such roads. The licencing authority should satisfy itself about the applicant's ability and qualifications for driving on hill roads before making the endorsement.

The law relating to hours of duty should be applicable even to single vehicle owners and must be scrupulously observed.

Drivers should be provided with rest rooms with toilet and recreational facilities at suitable intervals.

Relief crew should be stationed at specified places to replace the bus crew on duty if the vehicle has to run more

than 8 hours at a stretch.

Way-side liquor shops should not be licensed. Those found driving under the influence of liquor should be punished.

Only those professional drivers who undergo a recognised course of specialized training should be permitted to operate transport vehicles on these roads. They should undergo and pass periodical medical tests.

Driving downhill in neutral gear must be considered an offence and action taken against the driver.

Vehicles older than five years generally and, in any case, more than seven years, should be banned on hill roads.

Tests for mechanical fitness of heavy transport vehicles plying on hill roads should be vigorous. Such vehicles should be tested for their road-worthiness every six months.

The width of the buses using hill roads should not exceed the width of the rear axle by more than 7.5 cm. The over-hang of the body at the rear should not be more than 45 per cent of the wheel base. The rear of the body should be tapered to make the vehicle more manoeuvrable.

The driver's cabin should be separated from the accommodation for passengers.

The registration of a vehicle and the licence of its driver should be suspended if the vehicle is detected in an overloaded condition.

The strength of the enforcement staff should be increased. They should patrol the roads regularly to detect overloading and other traffic offences.

The patrolling staff should be supplied with portable enforcement aids and also motor cycles for use on duty.

Heavy transport vehicles should carry chocks for use when the vehicles stop on the wayside.

Reflectors should be compulsory fixtures on all vehicles including bullock carts.

Lay-byes should be provided along the flanks of the road where it can be widened suitably.

Breakdown towing vans fitted with cranes should be stationed at convenient points.

Wireless traffic aid posts should be set up on hill roads. Telephone booths along these roads will be an added benefit.

Repair and servicing facilities including fuel filling station should be available at appropriate intervals along these roads.

Scenic look-outs should be constructed at point of extreme beauty with facilities for parking a few cars.

## Design

In relation to design there is a need for strict compliance, with the prescribed standards of cross-section, grade and curvature consistently with the speed of traffic. Adherence to the following policies in design would add considerably to safety on the hill roads.

The minimum permissible radii, along with limiting and exceptional gradients, should be reserved only for unavoidable difficult situations.

There should be harmony and uniformity in the design of the curves in the alignment. Series of sharp curves in continuous stretches should be avoided. Abrupt changes of curvature either from the straight or from easy curves to ones of short radii should not be made.

Road alignment should be streamlined so that there are no sharp kinks or corners presenting an element of surprise.

For instance, there should not be any sudden variations in formation width from point to point.

Reversal of alignment or the presence of 'S' curves is very undesirable but as they have often got to be resorted to in hill roads, they should be limited to the minimum.

Transition curves as well as shock free vertical curves should be used to avoid jerky movement of vehicles.

Widening at curves should be adequate for off-tracking of the biggest vehicles moving either way.

All horizontal curves should be carefully aligned with super elevation provided as per prescribed standards.

Visibility at horizontal curves should be improved by cutting sight benches, in accordance with stopping sight distance requirements.

Design and construction of hair-pin bends must be given special care so that they fulfil the design requirements of minimum radii, carriageway width, grades, super elevation etc. specific to them.

## COMMITTEE ON UNEMPLOYMENT, PANEL ON THE ASSESSMENT OF THE EXTENT OF UNEMPLOYMENT AND UNDER EMPLOYMENT, 1971.

Report. Delhi, Controller of Publications, 1975. 577p.

Chairman: Dr. Ashok Mitra.  
Members: Dr. Gautam Mathur; Shri. A. Chandra  
Sekhar; Shri. S.C. Chaudhry.  
Special Invitees: Dr. J.N. Sinha; Dr. J. Krishnamurthi.  
Secretary: Shri. H.R. Sharma.

### APPOINTMENT

The Committee on Unemployment, at its meeting held on 17th June, 1971, considered the first term of reference for the Committee, including the recommendations of the Committee of Experts on Unemployment Estimates under the Chairmanship of Prof. M.L. Dantwala, the Works of the Inter-Departmental Committee, the work done by the Working Group on Concepts and Definitions appointed by the Central Statistical Organisation, the studies having bearing on the assessment of unemployment in the country undertaken by different agencies in the past and proposed to be undertaken in the near future. The Committee felt that it would be useful if a Panel was constituted to review in detail the subjects covered in the first term of reference set for the Committee. Accordingly a Panel on the Assessment of the Extent of Unemployment and Under Employment was constituted on July 26, 1971.

### TERMS OF REFERENCE

"To consider the first and fifth terms of reference of the Committee on unemployment and make recommendations thereon for submission to the Committee".

### CONTENTS

Part I :- Introduction; Recommendations of the Dantwala Committee and Action thereon; Sources of Current Statistics; Data derived from Population Census, 1971; Summary of State-wise data; Summary of Conclusion and Recommendations; Appendices to III; Part II:- Introduction; Fifth terms of Reference and its Scope; Existing Arrangements; A Suggested Framework for Manpower Planning and Employment; Conclusions and

Recommendations; Appendices from I to XVIII.

### RECOMMENDATIONS

#### Part - I

It would be extremely difficult to develop a composite picture of aggregate level of unemployment on the basis of current data. The quality of data is uneven and the comparability between different sets of data is largely vitiated. Partly this is also the consequence of different concepts having been used in defining the relevant categories. While, under certain circumstances and under given assumptions, it may be possible to use the available data over a period for assessing the extent of relative shifts in the incidence of unemployment, little can be said about its absolute incidence at any particular point of time.

2. The Panel does not feel it necessary to deploy disproportionately large resources in search of precise data in this area. It is in the nature of the Indian economy that unemployment often assumes a disguised form, and given the disparate levels of school, economic, cultural and educational development, it would be in the nature of will-o'-the-wisp to try to have precise measures of the various forms of unemployment in different parts of the country.

3. It would be worthwhile to await the detailed results of the 27th round of the National Sample Survey and of the subsequent rounds which could be expected to provide a large volume of systematic data, comparable to each other on a continuous basis. The permanent Commission, recommended in the context of the fifth term of terms of reference, may operate as a continuing agency for providing the necessary guidance for assessing the incidence and magnitude of unemployment in terms of agreed concepts and measures.

4. In view of the criticism levelled against these concepts and definitions to the effect that these may be more relevant to the advanced countries, need for evolving concepts and definitions suitable for Indian conditions particularly in rural areas was obvious.

5. In delimiting the basis of disaggregation due notice be

taken of the fact that the unemployment situation in India is beset with social and political overtones and strong cultural prejudices for or against certain types of employment, activities, or works.

It would, therefore, be useful to lay emphasis, in any scheme of disaggregation, on socio-cultural, political and economic factors of the population as also on the aspirations and job preferences of the unemployed and the under-employed persons. The studies carried out by the National Sample Survey regarding the economically weaker sections of population during the 25th round is a step in this direction. There is scope, however, for further and more frequent studies to determine the following:

(i) demographic characteristics of different segments of the labour force;

(ii) their educational attainments and other professional and technical training or experience;

(iii) their present state of employment and its assessment with reference to the above background; and

(iv) their attitude towards employment, the cultural conditioning and inhibitions, if any.

6. These data, it is felt, will help in formulating the programme of employment generation, in planning supply against demand for different types of personnel or programmes of work and working out plans aiming at transforming the social and cultural values in keeping with the socio-economic aspirations of the country. Some of the dis-aggregations could no doubt be fitted into a sample survey or large scale investigations, but others would call for type studies.

7. There also seems to be need for assessing the impact of changes in educational levels, socio-cultural background, emergence of new technology on unemployment on a more realistic basis. As certain type of activities or traditional professions suffer a decline, a section of the labour-force would be rendered surplus. An assessment of the magnitude of this section would be required to plan avenues of employment for those involved.

8. There is also need for more specific and extensive study of the causal factors which influence the participation rates of different groups of population. This information will assist in making reasonably meaningful projections for the future.

9. The Dantwala Committee had recommended the re-tabulation of the National Sample Survey's past data so that disaggregated estimates of unemployment and under-employment could be obtained. The possibilities of getting these re-tabulations done were also explored. On reconsideration of the issues involved, it was felt that the effort involved in going back to the past data might not be worthwhile. The Panel feels that the National Sample Survey as a source of data has great potential for the development of the entire statistical structure of manpower planning and for study of employment and unemployment in the country and should be fully exploited.

10. Sample studies of the registrants on the live register in association with the NSS enquiries can provide valuable information.

11. An integrated approach to the study of the problem of employment and under-employment calls for a suitable set-up which is not available at this time. The adequate exploitation of the sources of data could not be possible

through ad hoc arrangements or short-term efforts. The Panel has attempted to suggest a suitable machinery in the form of a Department of Manpower Planning and Employment and the National Commission on Manpower and Employment. The enormous amount of detailed analysis of the data and a variety of studies to be taken up for building up a suitable statistical base can only be taken up by the proposed Commission. The Panel is convinced of this after reviewing the data available, the studies carried out by various organisations from time to time, the studies taken up by the Government agencies, sponsored by the Planning Commission and also by the Committee on Employment. Therefore, the arrangements for continuous and long-term study of the problem should be made as an integral part of the Government machinery, to begin with, at the national level. The lines along which further action can be taken and the details thereof would, however, be the function of the proposed Commission.

12. It is felt that among the sub-category "other non-workers" of 1971 Census, the males in the age-group 15-49 might approximate to the number of unemployed males in the said age-group. The same cannot, however, be said of the females.

13. The total number of persons in the country with graduate degree/post-graduate degrees, professional degrees and technical diplomas or certificates not equal to graduate degree enumerated during the 1971 Census was 35,14,300 in urban areas and 4,66,500 in rural areas, the total for rural and urban areas being 39,21,100. As against this, the total stock of technical personnel in early 1971 estimated by the Council of Scientific and Industrial Research was 31,08,900. Assuming that the sub-category of "other non-workers" roughly corresponds to the unemployed among these personnel, the ratio of this sub-category among the total stock varies from 1.35% for the agriculture and veterinary graduates to 6.28% among the technical personnel with diploma or certificate. For rural areas, this percentage was 8.21% for persons with degree and 11.85% for persons with diploma or certificate. The percentages were generally higher for females than for males.

14. The most recent estimates of unemployment and under-employment available from a review of the data from different sources in respect of individual states has been attempted in this section. These estimates are based on data from different sources, particularly from studies or surveys pertaining to different periods of time and have taken into consideration concepts and definitions specifically adopted for the studies in question. With these limitations, the data for different states cannot be pooled to arrive at all-India estimates. The comparisons between different states will also not be valued because of these limitations.

## Part - II

Different organisations collect data for their respective purposes which indirectly throw light on particular aspects of the unemployment situation. There is no mechanism at present to bring these data together for an integrated study of the problems of manpower and employment. There is thus a need for effective coordination for ensuring comprehensive and timely information on manpower and employment planning.

The problem of manpower planning and employment has three broad facets, namely, creating (opportunities) for a large proportion of the labour force which is currently unemployed or under-employed; planning the supply of technical and other qualified personnel for development programmes both for the present and for future; and arranging the supply of technical personnel in accordance with the plan. Each of these facets has its planning, executive and evaluatory aspects. There is need for establishing an organisational structure and a system of procedures to ensure effective coordination and evaluation.

Some of the existing organisations deal exclusively with functions relating to manpower planning and employment creation and they can be merged with other organisations with similar functions. In the case of some other existing agencies, e.g. the Ministry of Education the problem may be somewhat difficult as the data collected by that Ministry are primarily intended for their administrative purposes. The responsibility for collection of such data cannot readily be taken away from that Ministry. There is, therefore, need for finding out effective methods for coordinated action with that Ministry to serve the needs of educational as well as employment and manpower planning.

The question of keeping a continuous watch on the employment, unemployment and under-employment situation and of ensuring a balance between the supply of and demand for labour in different sectors necessitates monitoring of the employment generating capacity of the sectoral programmes.

In an evolving situation, the requirements of data, the concepts on which they are to be based, the periodicity of collection of information and the form in which they are to be compiled and used would vary from time to time. Administratively effective and technically competent arrangements must be made to meet this challenge.

At the Centre as well as in the States, the agencies which deal directly and exclusively with the planning of manpower and employment should be merged to form an executive department of the Government. In particular, at the national level, the Directorate General of Employment and Training, the Directorate of Manpower and the Employment and Manpower Cell in the Cabinet Secretariat should be merged to form a Department of Employment and Manpower Planning. This Department should have a division to deal with each of the following subjects:

- (i) Manpower budgeting and forecasting.
- (ii) Employment market Information.
- (iii) Surveys and Studies.
- (iv) Statistics.
- (v) Occupation and job analysis.
- (vi) Monitoring of employment generation.

(vii) Formulation and promotion of programmes of employment generation.

(viii) Monitoring specific developments which are likely to lead to large-scale unemployment.

The Ministry of Education should be entrusted with the responsibility of coordinating the activities of different agencies of the Government which deal with aspects of professional training, professional education and general education. The procedural details in this regard should be worked out by an interdepartmental committee consisting of the representatives of the various agencies.

There is need for a machinery (a) to ensure overall coordination among the agencies generating data; (b) to analyse the available data; and (c) to formulate practical policies and programmes pertaining to the planning of manpower and employment from time to time in the light of developments in the economy.

To ensure overall coordination among the agencies concerned and to give them guidance there should be a National Commission on Manpower Planning and Employment. The Commission may consist of a full time Chairman and three to four members. The Chairman should be an eminent public figure preferably with past experience in different areas of planning in manpower and employment. The other members should be professional individuals or administrators with a wide background of experience in the following fields:-

- i. Statistics and evaluation.
- ii. Agriculture or industrial economics.
- iii. Finance and resources planning.
- iv. Education and social sciences.

The secretariat of the Commission should consist of small specialised technical units in the various disciplines.

The Commission should:

(a) Undertake periodical reviews of the situation pertaining to manpower, employment and unemployment and indicate critical areas needing attention;

(b) make projections of labour force and manpower on the basis of available evidence and with an adequate degree of disaggregation;

(c) evaluate the supply of and demand for manpower at different levels in the short and long run keeping in view changes in investment decisions and output target and changes in technology in the light of the changing circumstances;

(d) formulate, as far as possible, employment norms at least for the sectors such as organised industry, mining etc. and continuously check such norms against the evidence of employment generated; and

(e) suggest from time to time changes in the functions and organisational structure of the agencies providing data.

# COMMITTEE ON THE STATUS OF WOMEN IN INDIA, 1971.

Report, New Delhi, Department of Social Welfare, Ministry of  
Education and Social Welfare, 1975. 480p. + xivp.

Chairman: Dr. (Smt.) Phulrenu Guha.  
Members: Smt. Savitri Shyam; Smt. Neera Dogra; Shri  
Vikram Chand Mahajan; Smt. Sakina A.  
Hasan; Smt. Maniben Kara; Smt. K. Lakshmi  
Raghuramaiah; Lotika Sarkar.  
Secretary: Smt. Shakuntala Masani.

*The Composition of the Committee will be as follows  
with effect from 22-9-1973 :*

Chairman: Dr. (Smt.) Phulrenu Guha.  
Members: Smt. Neera Dogra; Dr. (Smt.) Leela Dube;  
Smt. Urmila Haksar; Smt. Sakina A. Hasan;  
Smt. Maniben Kara; Shri Vikram Chand  
Mahajan; Smt. K. Lakshmi Raghuramaiah;  
Smt. Lotika Sarkar; Smt. Savitri Shyam.  
Secretary: Dr. (Smt.) Vina Mazumdar.

## APPOINTMENT

There are a number of provisions in the Constitution relating to the rights and status of women in the country. They have been supplemented by various enactments and development programmes aiming at enabling women to play their role in our national life in an effective manner. These programmes have brought about considerable changes in the urban areas, but the problems continue to remain virtually unchanged in most of the rural areas. Further, within changing social and economic conditions in the country various new problems relating to the advancement of women have also emerged.

The Government of India feel that a comprehensive examination of all the questions relating to the rights and status of women in this country would provide useful guidelines for the formulation of our social policies. A committee on the status of women is therefore constituted vide resolution No. 20/14/67-SW.2, dated 22nd September 1971.

## TERMS OF REFERENCE

1. To examine the Constitutional, legal and administrative provisions that have a bearing on the social status of women, their education and employment.

2. To assess the impact of these provisions during the two decades on the status of women in the country, particularly in the rural sector and to suggest more effective programmes.

3. To consider the development of education among women to determine the factors responsible for the slow progress in some areas and suggest remedial measures.

4. To survey the problems of the working women including discrimination in employment and remuneration.

5. To examine the status of women as house-wives and mothers in the changing social pattern and their problems in the sphere of further education and employment.

6. To undertake surveys or case studies on the implication of the population policies and family planning programmes on the status of women.

7. To suggest any other measures which would enable women to play their full and proper role in building up nation.

## CONTENTS

Introduction; Approach to the Study of status of Women in India; Demographic Perspective; Socio-Cultural Setting of Women's Status; Women and the Law; Roles, Rights, and Opportunities for Economic Participation; Educational Development; Political Status; Policies and Programmes for Women's Welfare and Development; The Role and Influence of the Mass Media on the status of Women; Concluding Note on Need for Agencies for Coordination, Communication and Implementation of Measures to Improve the status of women; Summary of Recommendations; Appendices A to H and I to III; Tables.

## RECOMMENDATIONS

### The Socio-Cultural Setting of Women's Status

The review of the disabilities and constraints on women, which stem from socio-cultural institutions, indicates that the majority of women are still very far from enjoying the rights and opportunities guaranteed to them by the Constitution. Society has not yet succeeded in framing the required norms or institutions to enable women to fulfil the multiple roles that they are expected to play in India today. On the other hand, the increasing incidence of practices like dowry indicates a further lowering of the status of women. They also indicate a process of regression from some of the norms developed during the Freedom Movement. We have been perturbed by the finding of the content analysis of periodicals in the regional languages that concern for women and their problems, which received an impetus during the Freedom Movement, has suffered a decline in the last two decades. The social laws that sought to mitigate the problems of women in their family life, have remained unknown to a large mass of women in this country, who are ignorant of their legal rights today as they were before independence.

We realise that changes in social attitudes and institutions cannot be brought about very rapidly. It is, however, necessary to accelerate this process of change by deliberate and planned efforts. Responsibility for this acceleration has to be shared by the State and the community, particularly that section of the community which

believes in the equality of women. We, therefore, urge that community organisations, particularly women's organisations, should mobilise public opinion and strengthen social efforts against oppressive institutions like polygamy, dowry, ostentatious expenditure on wedding and child marriage, and mount a campaign for the dissemination of information about the legal rights of women to increase their awareness. This is a joint responsibility which has to be shared by community organisations, legislators who have helped to frame these laws and the Government which is responsible for implementing them.

## Women and the Law

### Eradication of Polygamy in Muslim Law :

Full equality of sexes can hardly be possible in a legal system which permits polygamy and a social system which tolerates it. The only personal law, which has remained impervious to the changing trend from polygamy to monogamy is Muslim Law.

The solution of standard contracts fails to provide a substantive relief to the first wife with children. As the second marriage is not invalidated, the position of the husband is not prejudicially affected but for the financial implications arising out of the step. The deterrence of the criminal sanction when a person intends to contract a second marriage is absent. Further, it is ineffective in cases of fake conversions to Islam from other religions, to circumvent the prohibition against bigamy. The remedy is out of step with the position in the other personal laws in India and should be rejected.

While the desirability of reform in Muslim Law is generally acknowledged, the Government has taken steps towards changing the law for over two decades on the view that public opinion in the Muslim community did not favour a change. This view cannot be reconciled with the declaration of equality and social justice. We are of the opinion that ignoring the interest of Muslim women is a denial of social justice. The right of equality, like the right of free speech, is an individual right.

We are of the firm view that there can be no compromise on the basic policy of monogamy being the rule for all communities in India. Any compromise in this regard will only perpetuate the existing inequalities in the status of women.

### Enforcement of Provision Against Bigamy under Hindu Marriage Act:

In our opinion the right to initiate prosecution for bigamy should be extended to persons other than the girl's family with prior permission of the court to present the current widespread violation of a most solitary provision of the law which very clearly lays down the social policy of the country.

We recommend that the words 'solemnized' should be replaced by the words "goes through a form of marriage". Further an explanation should be added to section 17 of the Hindu Marriage Act that an omission to perform some of the essential ceremonies by parties shall not be construed to mean that the offence of bigamy was not committed if such a ceremony of marriage gives rise to a de-facto relationship of

husband and wife.

We recommend that a provision be introduced in Section 6 of the Hindu Marriage Act to the effect that nothing contained in the Hindu Marriage Act shall prevent court from granting an injunction against proposed bigamous marriage under the Act or under the provisions of the specific Relief Act, 1963.

### Reform of Marriage Laws Prevalent in Former French and Portuguese Territories:

In our opinion continuation of such diverse laws (permitting polygamy), contradictory to our social policy, in these territories is totally unjustified. We recommend the immediate replacement of these laws by the Hindu Marriage Act, 1965.

### Restraint of Child Marriages:

When the legal age of marriage in case of a female is below the age of discretion she cannot be expected to form an intelligent opinion about her partner in life. The policy of law which permits the marriage of a girl before she is physically and mentally mature is open to serious question. Child marriage is one of the significant factors leading to the high incidence of suicide among young married women in India. Therefore, increasing the marriage age of girls to eighteen years is desirable.

An anachronism in Muslim Law governs some sects. After puberty, a Muslim male in all sects and a Muslim female belonging to the Hanafi and Ithana Ashani sects can marry without a guardian. But a Malik, Shafi or Daudhi or Sulayamani Bohra virgin cannot marry without a guardian and her only remedy is to change over to the Hanafi school and marry according to its tenets.

In our opinion a change in the law to remove the existing disability in these sub-schools, to bring them in conformity with the Hanafi law, is necessary.

There are large scale violations of the Child Marriage Restraint Act, particularly in the rural areas. The State of Gujarat has made it a cognizable offence with provisions for appointment of a Child Marriage Prevention Officer.

We recommend that all offences under the Child Marriage Restraint Act should be made cognizable, and special officers appointed to enforce the law.

The right to repudiate a child marriage by a girl on attaining majority is provided under Muslim Law if the following facts are established :

- i. That she was given in marriage by her father or other guardian before she attained the age of 15;
- ii. that she repudiated the marriage before she attained the age of 18;
- iii. that the marriage was not consummated.

In our view the right to repudiate the marriage on attaining majority should be made available to girls in all communities whether the marriage was consummated or not.

The Parsee Marriage and Divorce Act provides that "no suit shall be brought in any court to enforce any marriage between Parsees or any contract connected with or arising out of any such marriage, if at the date of the institution of the suit the husband shall not have completed the age of 16 years or the wife shall not have completed the age of 14

years."

We recommend legislation prohibiting courts from granting any relief in respect of a marriage solemnized in violation of the age requirements prescribed by law, unless both the parties have completed the age of 18 years.

#### Registration of Marriages:

Compulsory registration of marriages as recommended by the U.N. will be an effective check on child and bigamous marriages, offer reliable proof of marriages and ensure legitimacy and inheritance right of children.

We recommend that registration should be made compulsory for all marriages.

#### Prevention of Dowry

The Dowry Prohibition Act 1961 has signally failed to achieve its purpose. In spite of the persistent growth of these practices there are practically no cases reported under the Act. There is hardly any evidence of social conscience in this regard in the country today. The educated youth is grossly indifferent to the evil and unashamedly contributed to its perpetuation. Stringent enforcement of the policy and purpose of the Act may serve to educate public opinion better.

A very small but significant step could be taken by the Government by declaring the taking and giving of dowry to be against the Government Servants' Conduct Rules. Such a lead was given earlier to prevent bigamous marriages and giving or taking of dowry should be similarly dealt with.

The policy of making the offence non-cognizable nullifies the purpose of the Act. We recommend that the offences under the Dowry Act should be made cognizable.

One of the major loop-holes in the existing legislation is that anything is allowed in the name of gifts and presents. Therefore, any gifts made to the bridegroom or his parents in excess of Rs. 500/- or which can be so used as to reduce his own financial liability should be made punishable.

The practice of displaying the dowry tends to perpetuate the practice as others follow suit. To curb the evil of dowry we recommend legislation on the lines of the West Pakistan Dowry (Prohibition of Display) Act 1967 which penalises display of gifts made at the time, or immediately before or after marriage.

An evaluation of the impact of the amended Dowry Prohibition Act should be made after 5 years. The next step should be to set a ceiling even on the gifts that may be made to the bride.

#### Improvement of Laws of Divorce

The Concept of 'union for life' or the sacramental nature of marriage which renders the marriage indissoluble has gradually been eroded and through legislation the right on divorce has been introduced in all legal systems in India, but the same variations and unequal treatment of sexes characterises this branch of law also.

We recommend the following changes :

#### Hindu Law

- a. Difference in the place of work should not be regarded as a ground for a case of desertion or

restitution of conjugal rights.

- b. Cruelty and desertion should be added as grounds for divorce in the Hindu Marriage Act so that persons are not compelled to follow the persect circuitous route and undergo the expense of going to court twice.

#### Muslim Law

- c. We recommend that the right of the wife to divorce on the failure of the husband to maintain her, irrespective of her conduct which may be the main or contributory cause, should be clearly spelt out.
- d. We recommend immediate legislation to eliminate the unilateral right of divorce, and to introduce parity of rights for both partners regarding grounds for seeking dissolution of a marriage.

#### Christian Law

- e. We regret that the reforms in Christian Marriage Laws as recommended by the Law Commission and incorporated in the Christian Marriage Matrimonial Causes Bill 1960 have not yet been enacted and recommend that no further time be lost to reform and amend this law.

#### Jewish Law

- f. We recommend that reform and codification on the Jewish law be undertaken and the principle of monogamy as well as the normal grounds for divorce as provided in the Special Marriage Act be adopted for this community also.

#### General

- g. In our opinion conversion should not be a ground for divorce as it offers an easy way of avoiding matrimonial obligation.
- h. We recommend that natural consent ground for divorce should be recognised in all the personal laws so that two adults whose marriage has, in fact, broken down can get it dissolved honourably.
- i. The provision in the Parsee Marriage and Divorce Act which enables the wife to obtain divorce if her husband has compelled her to prostitution should be included in all other personal laws.
- j. As a general principle, we recommend parity of rights regarding grounds for divorce for both husband and wife.

#### Adoption

We recommend that the right of adoption should be equal for husband and wife, with the consent of the other spouse.

We welcome the step taken by the Government in introducing a uniform and secular law of adoption, the Adoption of Children Bill 1972 and recommend an early enactment of the Bill as it will extend the right of adoption equally to men and women of all communities, and will be a step towards a uniform secular law.

#### Guardianship

We recommend :-

That the control over the person and property of a minor cannot be separated and should vest in the same person.



That the question of guardianship should be determined entirely from the point of view of the child's interest and not the prior right of either parent.

That the parent who does not have guardianship should have access to the child.

That whatever the decision taken earlier, the Child's choice of guardianship should be obtained when the child reaches the age of 12.

We support the recommendations of the U.N. Commission on the Status of Women as follows:-

(i) Women shall have equal rights and duties with men in respect to guardianship of their minor children and the exercise of parental authority over them, including care, custody, education and maintenance;

(ii) Both spouses shall have equal rights and duties with regard to the administration of the property of their minor children with the legal limitations necessary to ensure as far as possible that it is administered in the interest of the children;

(iii) The interest of the children should be the paramount consideration in proceedings for custody of children in the event of divorce, annulment of marriages or judicial separation;

(iv) No discrimination shall be made between men and women with regard to decision regarding custody of children and guardianship or other parental rights in the event of divorce, annulment of marriage or judicial separation.

#### Maintenance

The provision for maintenance in the Criminal Procedure Code continues to reflect the old attitude to women. With some modifications like extending the rights to demand maintenance to indigent parents and to divorced wives, the obligation to maintain continues to be that of the man. There are today women economically independent who cannot only look after themselves but also their husbands and children.

As we believe in the equal status of husband and wife, and of son and daughter, we recommend amendment of the law of maintenance to provide for the obligation of the economically independent women :

- i. to maintain her dependent husband;
- ii. to share with him the duty to maintain their children;
- iii. to share with her brother the duty to maintain their indigent parents.

The underlying principle for the inclusion of the right of maintenance in the criminal procedure code is to prevent starvation and vagrancy. The ceiling of Rs. 500/- on the total amount of maintenance for all dependent persons seems unjustified.

In extending the right of maintenance to divorced wives, an exception has been introduced to deny maintenance to those divorced wives who have received a sum of money payable under customary or personal law. This exclusion of all divorced Muslim women defeats the purpose of the Section to provide a speedy remedy to indigent women.

We therefore recommend that the ceiling placed on the maximum amount payable as maintenance should be removed and the term 'wife' to include divorced wife be made applicable to all women without any exception.

Under Muslim law the wife's right to maintenance lasts

only as long as she remains a wife. If she is divorced, she loses her right and is only entitled to maintenance for 3 months. This has created a discrimination between the Muslim and other Indian women. We recommend the removal of this discrimination and extension of right of maintenance to divorced wives.

In order to minimise the hardship caused by non-payment of maintenance, and to ensure certainty of payment, we recommend that all maintenance orders should be deducted at the source by the employer as done in the case of income tax. Where it is not possible to deduct at the source, as in the case of a businessman or a self-employed person, the arrears of maintenance should be recovered as 'arrears of land revenue or by distress'.

An additional mode of execution of the maintenance decree may be to adopt the same procedure as is done in the case of fines under the criminal procedure code.

#### Inheritance

The Indian Succession Act confers no restriction on the power of a person to will away his property. Therefore, the protection enjoyed by a Muslim widow to a share of the estate and by a Hindu widow to be maintained is denied to other widows under this law. There is a need to incorporate some restriction on the right of testation, similar to that prevailing under Muslim Law to prevent a widow from being left completely destitute.

A characteristic feature of the Travancore and Cochin Christian Succession Laws is the discrimination against women. We recommend that immediate legislative measures be taken to bring Christian women of Kerala under the Indian Succession Act as a first step to unify the law.

According to the law prevailing in Goa, the widow is relegated to the fourth position and is entitled to only the fruits and agricultural commodities. This needs to be remedied immediately. Similar anomalies prevail in the succession laws governing Christians of Pondicherry which relegate a woman to an inferior position and do not regard her as full owner even in the few cases where she can inherit property. We recommend the extension of the Indian Succession Act to Goa and Pondicherry.

The one major factor which helps to continue the inequality between sons and daughters under Hindu law is the retention of the Mitakshara co-parcenary, the membership of which is confined only to male members. A number of decisions and legislation in the 20th century have made inroads in the concept of the co-parcenary, but the suggestion regarding its abolition received opposition at the time of Hindu Law reform. The compromise arrived at provides limited inheritance rights to the nearest class I female heirs of a co-parcenary but perpetuates unequal treatment between brother and sister. The right of a co-parcenary to renounce his share in the co-parcenary deprives the female heirs of any share. Secondly, the right to transform self-acquired into joint family property is frequently used to reduce the share of a female heir.

We recommend the abolition of the right by birth and the conversion of the Mitakshara co-parcenary into Dayabhaga.

Section 4(2) of the Hindu Succession Act excludes the devolution of tenancy rights under State laws from the scope

of the Act. This had led to the elimination of the beneficial effects of the Hindu Succession Act under the land legislation in many States. In order to achieve the social equality of women as also in the interests of uniformity we recommend the abolition of the exception provided in section 4(2) of the Hindu Succession Act, relating to devolution of tenancies.

Section 23 of the Hindu Succession Act relating to the right of inheritance to a dwelling house has also resulted in some discrimination between unmarried, widowed and married daughters. The main object of the section is unexceptionable as it asserts the primacy of the rights of the family as against the right of an individual and therefore the restriction against partition which is against the family interest should be retained. But nothing justifies the invidious distinction between married and other daughters. We recommend the removal of the discrimination between married and unmarried daughters regarding the right over a dwelling house (Section 23, Hindu Succession Act).

The unrestricted right of testation often results in depriving female heirs of their rights of inheritance. We recommend that the right of testation should be limited under the Hindu Succession Act, so as not to deprive legal heirs completely.

We recommend legislation in Muslim Law to give an equal share to the widow and the daughter along with sons as has been done in Turkey.

The medley of laws which governs the right of inheritance, not only of female heirs of different communities, but even of female heirs of the same community require immediate measures. Broad principles like equal rights of sons, daughters and widows, a restriction on the right of testation, so that dependent members are not left completely destitute, are needed immediately.

### General Recommendations

**Matrimonial Property :** In the socio-economic situation prevailing in our country the contribution of the wife to the family's economy is not recognised. A large number of them participate in the family's effort to earn a livelihood as unpaid family workers. Even when they do not do so the economic value of their effort in running the house, assuming all domestic responsibilities, thus freeing the husband for his avocation is not accepted in law either directly or indirectly. Married women who do not have independent source of income or give up employment after marriage to devote their full time in family obligations are economically dependent on their husbands. In majority of cases, movable and immovable properties acquired during marriage are legally owned by the husband since these are paid for out of his earnings. The principle of determining ownership on the basis of financial contribution works inequitably against women. In case of divorce or separation of women without any earnings or savings of own they are deprived of all property which they acquire jointly. Even property received by them at the time of marriage from the husband or his family is denied to the women in some communities. The fear of financial and social insecurity prevents them from resorting to separation or divorce even when the marriages are unhappy. It is necessary to give legal recognition to the economic value of the contribution made by the wife through house work for

purposes of determining ownership of matrimonial property, instead of continuing the archaic test of actual financial contribution.

We, therefore, recommend that on divorce or separation the wife should be entitled to at least 1/3 of the assets acquired at the time of and during the marriage.

**Family Courts:** The statutory law in all matrimonial matters follows the adversary principle for giving relief i.e. the petitioner seeking relief alleges certain facts and the respondent refutes them. In addition, most of the grounds in these statutes are based on the 'fault principle' instead of the breakdown theory. As a result, strong advocacy rather than family welfare, is often the determining factor in these cases. The absence of distinction between matrimonial cases and other civil suits leads to unusual delay which stands in the way of conciliation and further embitters the relationship of the parties. Conciliation, which needs to be the main consideration in all family matters, is not the guiding principle in the statutes dealing with them.

We strongly recommend the abandonment of the established adversary systems for settlement of family problems, and establishment of family courts which will adopt conciliatory methods and informal procedure, aiming to achieve socially desirable results.

**Uniform Civil Code:** The absence of a uniform civil code, 27 years after independence, is an incongruity which cannot be justified with all the emphasis that is placed on secularism, science and modernisation. The continuance of various personal laws which discriminate between men and women violates the Fundamental Rights and the Preamble to the Constitution which promises equality of status to all citizens. It is also against the spirit of national integration and secularism.

Our recommendation regarding amendments of existing laws are only indicators of the direction in which uniformity has to be achieved. We recommend expeditious implementation of the constitutional directive of Article 44 by the adoption of a uniform Civil Code.

### Needed Reforms in Criminal law

**Consent to sexual intercourse:** While consent to sexual intercourse is strictly interpreted and excludes consent given by the women under duress or fraud, no provision is made for consent obtained by putting someone else in fear in the presence of the women. We welcome the recommendation of the Law Commission in this regard.

In our view consent to have sexual intercourse requires more maturity than to have an abortion. The same age-limit should be applied in both cases. We recommend that the age of consent below which a girl's consent to sexual intercourse is not legal should be 18, permitting some degree of flexibility to the court in borderline cases to decide whether the girl is mature enough.

**Bigamy:** The present law restricts jurisdiction of the court to the place where the bigamous marriage was performed or where the husband and wife last resided. This causes difficulties to the wife who may have to move on after being abandoned by her husband. We recommend that in addition to the two jurisdictions under the criminal procedure code, provision be made for inquiry and trial for bigamy in a court within whose jurisdiction the wife is

residing.

**Adultery:** Adultery in our opinion should be regarded only as a matrimonial offence the remedy for which may be sought in divorce or separation. Retention of this as a criminal offence brings out clearly the values of the last century which regarded the wife as the husband's property. It also prevents lawyers and others from giving necessary help to an oppressed wife. We recommend that continuing to regard adultery as criminal offence is against the dignity of an individual and should be removed from the Penal Code.

**Nationality:** In the absence of any provision dealing with the case of Indian women marrying foreigners in the Citizenship Act many of them have become stateless. We recommend that the Citizenship Act be amended to provide a special rule for Indian women marrying aliens, stating that she will in no case lose her Indian nationality as a result of her marriage to a foreigner.

The present rule prevents the children of such Indian women from being considered as Indian citizens. Where the father and mother are separated and the mother is the guardian, there is no justification for the rule that the child's nationality will be transmitted through the father. We, therefore, recommend the amendment of section 4 (i) of the Citizenship Act to read as follows :

"A person born outside India on or after the 26th January, 1950 shall be a citizen of India by descent if his father or mother is a citizen of India at the time of his birth."

#### Roles, Rights and Opportunities for Economic Participation

The Indian Constitution guarantees equality of opportunity in matters relating to employment and directs the State to secure equal rights to an adequate means of livelihood, equal pay for equal work and just and humane conditions of work. The impact of transition to a modern economy has meant the exclusion of an increasing number and proportion of women from active participation in the productive process. A considerable number continue to participate for no return and no recognition. The majority of those who do participate fully or on sufferance, do so without equal treatment, security of employment or human conditions of work. A very large number of them are subject to exploitation of various kinds with no protection from society or the State. Legislative and executive actions initiated in this direction have made some impact in the organised sector, where only 6% of working women are employed, but in the vast unorganised sector, which engages 94% of working women in this country, no impact of these measures has been felt on conditions of work, wages or opportunities.

Estimates of employment and underemployment clearly indicate that the position is worse for women. Measures to remove women's disability and handicaps in the field of economic participation have proved extremely inadequate. While several factors have handicapped and prevented women's integration into the process of development, the lack of a well-defined policy, indicating areas where they require special assistance and protection, leaves them without access to knowledge, skills and employment.

Prejudices regarding women's efficiency, productivity, capacity for skills and suitability debar them from employment in many areas and result in wage discrimination.

The criteria for determining their unsuitability for particular types of jobs are not clear or uniform. Recasting the employment policy for women requires re-examination of existing theories regarding their suitability for different types of work on scientific lines, and deliberate efforts to promote equality of opportunity by special attention to women's disability, and handicaps. Our recommendations aim to make the Constitutional guarantees meaningful and arrest the trend towards gradual exclusion of women from their rights to a fuller participation in the economic process.

We therefore recommend the adoption of a well-defined policy to fulfil the Constitutional directives and government's long-term objective of total involvement of women in national development. Such a policy should be framed by a Government Resolution. This policy will need to be implemented carefully to avoid evasion by direct or indirect methods. Apart from specific occupations from which women are debarred by law, employers should not be permitted to exclude them from any occupation unless the basis for unsuitability is clearly specified.

There should be a cell within the Ministry of Labour and Employment at both Central and State levels under the direction of a senior officer to deal with problems of women.

We further recommend the following changes in the existing laws:

#### *Maternity Benefits Act, 1961*

This Act should be extended to all industries not covered by the Act at present and the provision of maternity relief ensured by the creation of a Central Fund levying contributions from employers. The administration of the Fund should follow the pattern already established by the Employees State Insurance Corporation.

The Act should also cover agricultural labourers in the same manner as suggested for other industries. To facilitate its implementation, the Central Fund should also include a levy on Agricultural Holdings Tax by the Committee on Taxation of Agricultural Wealth and Income.

The anti-retrenchment clause already included in the Employees State Insurance Act, 1948 should be incorporated in the Maternity Benefits Act.

For women retrenched for short periods and reemployed on the same jobs, the period of unemployment should not be treated as discontinuation of service for their eligibility for this benefit. For casual labour, a minimum of 3 months of service should be considered as qualifying them for this benefit.

As decided by the Supreme Court in the case of bidi workers, the provision of maternity benefits should be extended to home workers in all other industries.

In order to eliminate unjust denial of maternity benefits, scrutiny of applications should be done by a committee of the management and trade union representatives. The latter should preferably include a woman. This will provide greater incentive to women workers to participate in trade union activities.

The penalties for evasion of this law should be made more stringent.

The system of paying cash benefits in a lump-sum sometimes gives rise to inadequate attention to the nutritional needs of the mother and the child. Payment of

maternity benefits should be made periodically.

### Provision of Creches

The present limit of 50 women workers for the application of this provision under the Factories Act should be reduced to 20.

Women employed as casual labour or as contract labour should be entitled to share this benefit.

Wherever there is a demand, a room should be provided for keeping small children for other groups of women workers e.g. workers in offices, hospitals, shops and commercial establishments.

As far as possible, creches should be established near the residence of women workers rather than the place of work. The ideal arrangements, in our view, would be neighbourhood creches.

### Working Time

Permission to work upto 10.00 P.M. should be granted, provided arrangements for the transport and security are made.

We further recommend effective implementation of the Maternity Benefits Act in all States and the extension of the Employees State Insurance Scheme to those areas which are not covered by it at present.

### Equalisation of Wages

We recommend legislative enactment of Article 39(d) of the Constitution—equal pay for equal work - to add the weight of legal sanction to what is only a policy at present.

We further recommend incorporation of this principle in the Minimum Wages Act.

### Integrated Development of Training and Employment

We recommend reservation of a definite quota for women for training within the industry in order to arrest their retrenchment as a consequence of modernisation.

A similar quota should be reserved for women for training of apprentices under the National Apprentices Act.

We further recommend developing programmes of vocational training in close relationship with industries and resources located in the area. Links with possible employing agencies have to be developed from the beginning so that the training does not end in futility.

As recommended by the Committee of the All-India Council for Technical Education, polytechnics for women should include a production centre with assistance from the small scale Industries Departments of the State concerned.

Training programmes in production and market organisation to develop self-employment should be developed.

Special efforts have to be made to develop vocational training for both illiterate and semi-literate women workers.

We further recommend development of training-cum-production centres in small scale or cottage industries in both rural and urban areas to provide employment to women near their homes.

### Part-time Employment

We recommend specific provisions for part-time employment of women by suitable revisions in recruitment rules and service conditions. We also recommend detailed investigation of areas where part-time employment could be generated by agencies like the Directorate-General of Employment and Training, the Institute of Applied Man-Power Research, the National Council of Applied Economic Research, etc. Such studies should include examination of existing avenues for part-time employment viz in the unorganised industries and occupations.

### Employment Information

We recommend expansion of the national employment service, particularly in rural areas, and the development of a women's cadre in the service to provide employment information and assistance to women.

### Provision for Re-entry

We recommend that provision for special leave without pay, subject to a maximum of 5 years during service, should be made in all occupations, in order to enable women to devote full-time for the care of their family. Their lien should be protected.

### Enforcement of Laws Protecting Women Workers

We recommend increase in the number of women on the inspectorate of different labour departments as well as provision for women welfare officers wherever women are employed.

### We further recommend:

Steps to organise labour unions in the field of agriculture, and other industries where such organisations do not exist at present.

Formation of women's wings in all trade unions, to look after the problems of women workers and to improve women's participation in trade union activities.

### Educational Development

Our investigation of the progress of women's education in India reveals that while there has been a tremendous increase in the number of girls receiving formal education in the period after Independence, the gap between the enrollment of boys and girls has continued to increase at all levels and the proportion of girls in the relevant age groups covered by the school system still remains far below the Constitutional target of universal education upto the age of 14. Social attitudes to the education of girls range from acceptance of the need to one of the absolute indifference. The reasons for the variation in social attitude and the consequent slow progress of women's education are both social and economic, which are intensified by inadequate facilities and the ambivalent attitude regarding the purpose of educating girls.

In spite of the expansion, the formal system of education

now covers only 10% of the total female population. Less than 7% of the 15 to 25 age group and less than 2% of the 25 and above age group have received any formal education. The number of illiterate women has increased from 61 million in 1950-51 to 215 million in 1970-71.

The challenge of the widening illiteracy gap will have to be borne in mind in determining priorities in educational development in the years to come. The claims of the formal educational system which can cater to the need of only a minority for a long time will have to be balanced against the claims of eradication of illiteracy. This stands out as the most important and imperative need to raise the status of women who are already adults and constitute the largest group. While the Constitutional directive of universal education upto the age of 14 must receive the highest priority in the formal system, an alternative system has to be designed to provide basic education to adult women, particularly in the 15-25 age group.

Imbalances in women's education and literacy are the consequences of great disparity of educational progress between rural and urban areas, between different sections of the population and between regions which reflect, to a great extent, variations in regional attitudes to women. The influence of these and other sociological factors which, for instance, influence the low educational development among Muslim women or women of Scheduled Castes and Tribes make the use of national or State averages in assessing progress of education or literacy rather meaningless.

In our opinion, any plan for educational development of women which does not take these imbalances into account will contribute to the increase of inequalities between different sections of the population. Removal of these imbalances will require special attention from public authorities based on careful identification of factors responsible for them. Special programmes will need to be designed for their removal if equality of educational opportunities is to be brought within the access of the majority of women in this country.

#### Recommendations Regarding the Formal System

**Co-education :** In our opinion, the considerations of efficiency, economy as well as equal opportunity require the acceptance of co-education as a long-term policy. In view of the divergent social attitudes, however, we recommend:

(i) Co-education should be adopted as the general policy at the primary level;

(ii) at the middle and secondary stages separate schools may be provided in areas where there is a great demand for them. But the effort to pursue co-education as a general policy at these stages should continue side by side;

(iii) at the university level co-education should be the general policy and opening of new colleges exclusively for girls should be discouraged;

(iv) there should be no ban on admission of girls to boys' institutions;

(v) wherever separate schools/colleges for girls are provided, it has to be ensured that they maintain required standards in regard to the quality of staff, provision of facilities, relevant courses and co-curricular activities;

(vi) acceptance of the principle of mixed staff should be made a condition of recognition for mixed schools. There is a

misgiving, however, that this provision may lead to exclusion of girls from some schools. Therefore, it is suggested that this measure may be reviewed a few years after it is implemented;

(vii) wherever there are mixed schools, separate toilet facilities and retiring rooms for girls should be provided.

#### Curricula : We recommend:

(i) There should be a common course of general education for both sexes till the end of class X, all courses being open to boys and girls.

(ii) At the primary stage, simple needle craft, music and dancing should be taught to both sexes.

(iii) From the middle stage, differences may be permitted under work experience.

(iv) In class XI-XII girls should have full opportunity to choose vocational and technical courses according to local conditions, needs and aptitudes.

(v) At the university stage there is a need to introduce more relevant and useful courses for all students.

#### Pre-school Education : We recommend:

(i) The provision of three years pre-school education for all children by making a special effort to increase the number of 'balwadis' in the rural areas and in urban slums.

(ii) In order to enable them to fulfil the social functions discussed above, an effort should be made to locate them as near as possible to the primary and middle schools of the locality.

#### Universalisation of Education for the Age Group 6-14:

##### We recommend:

(i) Provision of primary schools within walking distance from the home of every child within the next 5 years;

(ii) Establishment of ashram or residential schools to serve clusters of villages scattered in difficult terrains. Where this is not immediately possible, preparatory schools may be provided for the time being.

(iii) Provision of mobile schools for children of nomadic tribes, migrant labour and construction workers.

(iv) Sustained propaganda by all types of persons, preferably women-officials, and non-officials, social and political workers, to bring every girl into school in Class I preferably at the age of 6. They should visit local schools and involve parents and community leaders in order to promote the schooling of girls, particularly in backward areas.

(v) Provision of incentives to prevent drop-outs. Since poverty is the major cause of drop-out the most effective incentive, in our opinion, is the provision of mid-day meals. The rate of children passing the primary level has definitely gone up in States which have introduced mid-day meals. In Kerala, which has the highest literacy rate among women, this provision is one of the major factors for the enrollment and retention of children in schools today. In reply to our questionnaire, the majority has given highest priority to this incentive. The other important incentives which require to be provided to needy children are free school uniforms, scholarships or stipends and free supply of books and other

study material. For girls particularly, the lack of adequate clothing is a great deterrent to attending schools. For schools which do not prescribe any uniform, some provision of clothing is necessary.

(vi) Special incentives for areas where enrollment of girls is low. This will need to be worked out according to local conditions. We suggest special awards or recognition to the community, teachers, students etc.

(vii) At least 50% of teachers at this stage should be women.

(viii) Provision of at least two teachers in all schools and conversion of the existing single teacher ones as early as possible.

(ix) Developing a system of part-time education for girls who cannot attend school on a full-time basis. This system should provide education to girls at a time convenient to them.

(x) Adoption of the multiple entry system for girls who could not attend school earlier or had to leave before becoming functionally literate.

(xi) Provision of additional space in schools so that girls can bring their younger brothers and sisters to be looked after, either by the girls themselves in turn, or by some local women.

(xii) Opening of schools and greater flexibility in admission procedure in middle schools (multiple only), to help girls to complete their schooling.

#### Sex Education : We recommend:

(i) Free education for all girls upto the end of the secondary stage.

(ii) Improving the quality of teaching and provision of facilities for important subjects like science, mathematics and commerce.

(iii) Introduction of job-oriented work experience, keeping in view the needs, the resources and the employment potential of the region e.g. courses leading to training as ANM, typing and commercial practice programmes oriented to industry and simple technology, agriculture and animal husbandry.

#### General Recommendations

(i) Provision of mixed staff in all mixed schools. This should be made a condition of recognition.

(ii) Adequate provision of common-rooms and separate toilet facilities for girls in all schools.

(iii) Adequate arrangements for co-curricular activities for girls in all schools.

(iv) Provision of more need-cum-merit scholarships and hostel facilities for girls.

#### Higher Education : We recommend:

(i) Development of more employment opportunities, particularly of a part-time nature, to enable women to participate more in productive activities.

(ii) Development of employment information and guidance services for women entering higher education. Many of them suffer from lack of information regarding job opportunities and regret their choice of subjects when faced

by difficulties in obtaining employment.

#### Non-Formal Education

As stated earlier, the greatest problem in women's education today is to provide some basic education to overwhelming majority who have remained outside the reach of the formal system because of their age and social responsibilities as well as the literacy gap.

For the sake of national plans for development it is imperative to increase the social effectiveness of women in the 15-25 age group even if we cannot do so for the still older groups. Ad-hoc approaches through the adult literacy, functional literacy and other programmes of the Government have proved inadequate. They also draw a sharp distinction between men and women in the context of training. These distinctions, in our view, are out of date. Changes in family life, food habits, family planning all require joint efforts of men and women and continuing this kind of artificial division between the sexes may defeat the purpose of these programmes. As for vocational and occupational skills, the needs of women are greater than those of men. While we do not deny the value of crafts, women's need for vocational training cannot be limited to them. The skills differ according to the industrial and market potentials of regions and it is imperative to relate the training to local needs, resources, and employment possibilities instead of adopting an artificial sex-selective approach. Ad-hoc approaches though a multiplicity of programmes by various governmental agencies will lead to overlapping, lack of coordination and wastage of resources. The problem is an integrated one and cannot be solved by short-term programmes. What is needed is a continuous process.

No attempt to professionalise this system will lead to development of the limiting, selective and a rigid approach with fixed curricula and classroom procedures. The prohibitive cost of such professionalisation would inevitably limit its operation to a few selected centres. The teachers in a non-formal system must have other skills of direct relevance to the problems of the community. Without this kind of community involvement, such programmes will lack stability and continuity.

The object of the system should be to provide access to information and use of information for better participation in social life with literacy as the core of the package. Though primarily meant for adolescents, the system should not exclude the young, particularly those who have been denied any formal education. Some of the latter may use it as a stepping stone to enter the formal system if our recommendation regarding multiple entry is accepted.

The system will have to be organised through community groups. The Panchayats and the Women's Panchayats recommended under the heading "Political Status" would appear to be the ideal bodies for this purpose. Government's role should be limited to providing technical guidance and advice and enabling Government functionaries at the local level to participate in the programme apart from supportive assistance in the form of literature and reading material. Development of basic libraries in villages and the slum areas of towns is an imperative necessity for this purpose. We, therefore, recommend concentration of governmental effort in providing this infrastructure.

## Equality of Sexes as a Major Value to be Inculcated through the Educational Process

The educational system is the only institution which can counteract traditional belief in inequality of sexes. The educational system today has not even attempted to undertake this responsibility. The schools reflect and strengthen the traditional prejudices through their curricula, classification of subjects on the basis of sex and the unwritten code of conduct enforced on their pupils. This is one area where a major change is needed in the content and organisation of education. Educators must admit their responsibility and bring about this much needed change in the values of the younger generation.

### Political Status

Though women's participation in the political process has increased, both in elections and in their readiness to express their views on issues directly concerning their day-to-day life, their ability to produce an impact on the political process has been negligible because of the inadequate attention paid to their political education and mobilisation by both political parties and women's organisations. Parties have tended to see women voters as appendages of the males. Among women, the leadership has become diffused and diverse with sharp contradictions in their regard and concern for the inequalities that affect the status of women in every sphere - social, economic and political. The revolution in status of women for which Constitutional equality was to be the only instrument, still remains a very distant objective; while the position of some groups has changed for the better, the large masses of women continue to lack spokesmen in the representative bodies of the State. Though women do not constitute a majority numerically, they are acquiring the features of one by the inequality of class, status and political power. In this sense, the new rights have proved to be only concessional. Our recommendations aim to make women's political rights more functional as required by the needs of a democratic system.

In order to provide greater opportunities to women to actively participate in the decision-making process, it is imperative to recognise the true nature of the social inequalities and disabilities that hamper them. This can best be achieved by providing them with special opportunities for participation in the representative structure of local government. The present form of associating women in these bodies through cooption or nomination has become a kind of tokenism. The time has come to move out of this token provision to a more meaningful association of women in local administration, and to counteract the general apathy and indifference of the local bodies to women's development and change of status.

### Women's Panchayats

We, therefore, recommend the establishment of Statutory Women's Panchayats at the village level with autonomy and resources of their own for the management and administration of welfare and development programmes for women and children, as a transitional measure, to break through the traditional attitudes that inhibit most women from articulating their problems and participating actively in

the existing local bodies. They should be directly elected by the women of the village and have the right to send representatives to the Panchayat Samitis and/or Zilla Parishads. A viable relationship with the Gram Panchayats should be maintained by making the Chairman and Secretary of both the bodies ex-officio members of the other.

### Reservation on Municipalities

At the level of municipalities the principle of reservation of seats for women is already prevalent in certain States. We, therefore, recommend that this should be adopted by all States as a transitional measure. We also recommend the constitution of permanent committees in municipalities, to initiate and supervise programmes for women's welfare and development.

### Policy for Political Parties

We recommend that political parties should adopt a definite policy regarding the percentage of women candidates to be sponsored by them for elections to Parliament and State Assemblies. While they may initially start with 15%, this should be gradually increased so that in time to come the representation of women in the legislative bodies has some relationship to their position in the total population of the country or the State.

### Association in Important Bodies

We further recommend the inclusion of women in all important committees, commissions or delegations that are appointed to examine socio-economic problems.

### Policies and Programmes for Women's Welfare and Development

#### Health and Family Planning

Demographic indicators, viz. female, maternal and infant mortality rates, and indicators of access to medical care, both reveal an increase in the neglect of female lives as an expendable asset. This is the only reasonable explanation for the declining sex ratio observed to persist over several decades. In our opinion, the neglect of maternity and child health services and general public health services through over-concentration of efforts for family planning have contributed to this trend as well as defeated the ultimate objective of the family planning programme. We are entirely in agreement with the draft Fifth Five-Year Plan that integration of family planning with more positive health services like maternal and child health, and nutrition and improvement in the life expectancy of children and mothers will provide a far greater incentive to the adoption of family planning measures than the hitherto adopted negative approach. While welcoming this proposed integration, we wish to offer certain suggestions with regard to its organisation at different levels so that the objective of integration is not defeated by organisational separation.

We recommend:-

The rank of the Chief Executive for the integrated

maternity and child health services, including family planning, should be upgraded to at least Additional Commissioner, so that this service does not again become subordinate to family planning. This procedure should be adopted at all levels of the administration at the Centre and in the States.

A separate budget head for maternity and child health services should be created drawing on the provisions now made for family planning and the general health services. It is important to increase the provision for these services to avoid their being neglected as has been the trend so far. Since programmes for immunisation and nutrition of infants yield better results when they form a part of general maternity and child health services, we see no difficulty in increasing the allocation for these services. At the level of the primary health centres, the maternity and child health services should be separated for purposes of administrative provision, medical personnel and budget. While they may share the same buildings and equipment, a separation of the administrative structure required for maternity and child health services will ensure greater priority of treatment. Facilities by way of maternity beds, equipment for immunisation of children and family planning for women could be allocated to the MCH unit. The P.H.C. could be made responsible for sterilisation operations for men along with other general health services. The MCH Unit could coordinate the nutrition and immunisation measures which form a basic component of the integrated child development programme. It could also collect and maintain fertility and morbidity statistics for women and children for better research and evaluation in these fields.

We recommend that each M.C.H. Centre should collect this data which should be studied and evaluated at the district level by persons of required competence. This will call for a health statistics section at the district level.

We recommend the abolition of the present practice of providing financial incentives to promoters of family planning. Incentives to women who accept family planning should be in the shape of a token or certificate to ensure them greater priority in health care facilities for both the mothers and their children. Such a step will promote greater acceptance of family planning and correct social attitudes towards these practices. Compensation for loss of wages during sterilisation operations should however be paid to daily wage labourers. Others should be given paid leave for this purpose.

The qualifications prescribed for recruitment of personnel for these services in rural areas need to be gradually raised. Until women of requisite higher qualifications are available, the present requirements may continue, but they should be reviewed and progressively increased after every 3 years. Attempts should also be made to obtain the services of older and mature women for these services in the rural areas.

We further recommend the promotion of research in the field of female disorders e.g. puerperal psychosis and effects of family planning methods.

We disapprove the denial of maternity benefits to women in Government service after three children as adopted by some State Governments and recommend rescinding of such orders.

We also recommend that mass campaigns for family planning should also aim at correcting prevailing social

attitudes regarding fertility and metabolic hereditary disorders and the sex of the child for which the woman is generally blamed. Correct information in these matters would go a long way to improve the status of women.

### Changes Needed in the Medical Termination of Pregnancy Act

According to Section 4(a) of the Act, consent of a minor girl is not required for this operation while in other surgical operations of children above 12 such consent is necessary. In our view, this distinction is uncalled for and may lead to guardians compelling young girls to undergo this operation even when they do not want it. The consent of the patient should be essential. In the case of a minor girl nearing majority, if the doctor and the patient are in agreement, the consent of the guardian may be dispensed with. In all such cases, greater discretion should be permitted to the doctor.

Section 8 of the Act provides an overriding precaution to the doctor for any damage caused by the operation. Since no such protection is given for other operations, this seems an unnecessary clause and may lead to negligence. It may, therefore, be dropped.

While we appreciate the ethical considerations which make many doctors reluctant to perform this operation, we feel that it is a woman's right to have control over the size of her family. At the same time, it is important that doctors should have the authority to discourage such operation when they pose definite risk to the health of a patient. The condition being imposed in many hospitals that abortion will only be performed if the patient agrees to sterilization, should not be compulsive. It would be far better to adopt methods of persuasion through expert counselling.

The procedure and paper work involved in these operations need to be simplified. It is also necessary to extend facilities for authorised termination of pregnancies, particularly in the rural areas.

Many hospitals continue to insist on the husband's consent before performing these operations though this is not required by the law. A special effort needs to be made to convince the medical profession of the social value of this law from the point of view of both individuals and society.

Most doctors are reluctant to perform these operations in the case of unmarried girls. It is necessary to clarify the point that rape is not the only ground to justify termination in cases of unmarried girls, nor is there any legal obligation on the doctor to inform the police of an operation done in a rape case.

### Welfare and Development

In order to prevent any ambiguity in the understanding of what constitutes women's welfare and to prevent the development of policies that sometimes go against the basic objectives, we recommend that the Government of India should evolve a national policy on women's development in the light of the Constitutional directives and pledges made to the women of this country and to the international community from time to time.

There is need to maintain links between governmental, voluntary and community effort for promotion of women's welfare and to assist the process of Government planning



with actual knowledge and experience of the problems and needs of women at different levels.

We recommend:-

Reorganisation of the Central Social Welfare Board as a statutory and autonomous specialised agency for planning, coordination and management of welfare and development programmes for women and children.

Reorganisation of the State Social Welfare Advisory Boards of statutory autonomous agencies at the State level with similar functions. In addition, the State Boards may also serve as links between the Central agency, the State Government and the local bodies.

**Need for Agencies for Coordination, Communication and Implementation of Measures to Improve Status of Women**

The U.N. Commission on the Status of Women in its 25th Report has recommended establishment of a National Commission or similar bodies "with a mandate to review, evaluate and recommend measures and priorities to ensure equality between men and women in all sectors of national life". We accordingly recommend the constitution of statutory autonomous Commissions at the Centre and in the States with the following functions:

(a) Collection of information on different matters, e.g. education, employment, health, welfare, political participation, impact of social legislation, etc. with the right to call for information on different matters from the concerned agencies of the Government and to suggest improved methods for collection of data in different fields.

(b) Evaluation of existing policies, programmes and laws that have a bearing on the status of women with the following powers.

(i) to ensure non-implementation of these measures;

(ii) to point out lacunae or deficiencies in such measures and suggest amendments.

The Commission's criticisms and suggestions made after due consultation with relevant Ministries or Departments of Government should be placed before Parliament or the State Legislatures. They would be answered by the Government within a stated period with explanations or assurances.

(c) Recommendations of new laws, policies or programmes aiming to implement the Directive Principles of State Policy and the objectives of the U.N. Resolutions and Conventions regarding the status of women. These should be made to Parliament or the State Legislatures and Government will be statutorily responsible to consider such recommendations for action or to explain why they cannot be accepted.

(d) Redressal of grievances in cases of actual violation of existing laws.

The Commissions may be empowered to take effective steps to redress the grievances of affected parties.

**Composition of the Commissions**

The composition of these commissions should be broadbased, one category being selected for their representative status from different bodies like leading women's organisations, trade unions, legislatures, employers, etc. and the other group consisting of experts from the fields of law, health, education, social research, planning and administration. The Chairman and the majority of the members of all the Commissions should be women. The Chairman should be non-official, but on a full-time basis.

We further recommend the establishment of special Tribunals for all violations of human rights, discrimination against women, violation or evasion of existing laws and policies for the protection of women and their rights in society.

## WAKF ENQUIRY COMMITTEE, 1971.

Report, New Delhi, Ministry of Law, Justice and Company Affairs  
(Legislative Department), 1974. 161p.

Chairman: Syed Ahmed.

Members: Ishaq Sambhali; Zulfikar Ali Khan.

### APPOINTMENT

The Wakf Inquiry Committee was first constituted on the 9th December 1970. The Committee was constituted for a second time on 23rd September, 1971. The Committee met for the first time on 21st October 1971, but could not take up any work due to the fact that the post of Secretary to the Committee remained unfilled till the middle of February, 1972. It would thus be seen that till January, 1973, the Committee could not commence its work due to factors wholly beyond its control.

### TERMS OF REFERENCE

(i) to examine other set-ups of Wakf Administration obtaining in the country and not governed by the Act of 1954; and judge the comparative merits of such system vis-a-vis the scheme envisaged under the Central Act, 1954;

(ii) to examine in greater detail the working of the Charity Commissioner in the State of Maharashtra, where certain radical amendments have been recently effected in the 1950 Bombay Public Trusts Act;

(iii) to undertake an examination of the administration of trusts under Religious and Charitable Endowments applicable to other communities, particularly Hindu Religious Endowments Acts of Andhra Pradesh, Tamil Nadu,

Mysore and also take into account the recommendations made by Sir. C.P. Ramaswami Iyer Commission on Hindu Religious Endowments; and

(iv) the large scale illegal occupation of Wakf properties and the precarious financial position of Wakf Boards.

## CONTENTS

Introduction; Reasons necessitating submission of Interim Report dealing with urgent issues facing Wakf administration; Survey of Wakf properties; Wakf by user; the interpretation by some High Courts of the Public Wakfs (Extension of Limitation) Acts, 1959, 1967 and 1969P — immediate remedial measures suggested; Removal of Mutawallis by the Board — practical difficulties arising from the present provision — remedial measures suggested; Unauthorised occupation of Wakf properties — remedial measures proposed; The unsatisfactory financial position of Wakf Boards and

Wakf Institutions — causes thereof — remedial measures proposed; Annexures from I to 5.

## RECOMMENDATIONS

We are of the opinion that the sub-heading of Section 4 to wit "preliminary survey of Wakfs" is misleading. It is not in conformity with the contents of the said Section and is also contrary to the entire scheme of the survey contemplated under Chapter II of the Act. Hence, we recommend that this sub-heading may be deleted.

Sub-Section (1) of Section 4 as presently worded, particularly the phraseology used therein "for the purpose of making a survey of Wakf properties existing in the State at the commencement of this Act" is open to the interpretation that the Commissioner is to survey only such of the Wakfs as exist at the time of survey. Such phraseology could also imply that the enquiry by the Commissioner of Wakfs into properties in unauthorised occupation or already transferred is not contemplated. We, therefore, recommend that the word "existing" may be deleted from sub-section (1) of Section 4.

We consider that it should be made obligatory on the part of the State Governments to conduct periodical survey of Wakfs also. For the sake of administrative convenience, the periodical survey of Wakfs may be made to synchronise with the Revenue Settlement in the State. In fact, a thorough Revenue Settlement would, by its nature, be a survey of the Wakfs also.

We have, however, fully taken into account the fact that the survey as per Chapter II of the Act costs several lakhs of rupees. Besides, it entails a lot of administrative efforts and investigation. Therefore, we consider that any second or subsequent survey of Wakfs should not be ordered before twenty years of the preceding one.

In the light of the foregoing remarks and in the context of the Rajasthan High Court judgment it is recommended that Section 4 (1) be amended as follows:

"4 (1) The State Government by notification in the official gazette, appoint for the State a Commissioner of Wakfs and as many additional or Assistant Commissioners of Wakfs as may be necessary for the

purpose of making a survey of Wakf properties in a State. Second or Subsequent surveys may be ordered by the State Government periodically as prescribed:"

"provided that a period of twenty years should elapse after the completion of the survey at the commencement of the Act, before any fresh survey is ordered by the State Government".

The Rajasthan High Court has made very significant remarks while interpreting sub-sections (4) and (5) of Section 4 of the Act. It is, therefore, considered necessary to reproduce a part of the relevant observations of the High Court in this regard.

"It is significant that it is only under Sub-Section (5) that the Commissioner is empowered to decide a dispute and that dispute should relate only to the question whether particular Wakf is a Shia or a Sunni Wakf and if such a question arises and if there is a deed of Wakf, then he should decide the nature of the Wakf on the basis of that deed. Except sub-section (5) there is nothing in Section 4 or in rules made by the State to show that the Commissioner is empowered to adjudicate on a question if one arises whether a particular property is a Wakf property or not. He has been invested with the powers of a Civil Court in order to enable him to make a proper survey of existing Wakf properties and to submit a thorough report to the State. What we mean to point out is that the Commissioner has not been given the powers of a Civil Court to try and decide a dispute if it arises on the question whether a particular property is a Wakf property or not..."

Obviously important powers of a Civil Court would not have been vested in the Wakf Commissioner particularly (a) requiring the discovery and production of any document, (b) requisitioning any public record from any court or office, and (c) making any local inspection or local investigation, unless the Commissioner was also required to decide whether a property is Wakf or not if such a question arose in the course of his enquiry. As pointed out earlier, the entire purpose of the survey would be defeated if the Commissioner were not to decide whether a property is Wakf or not if such a question arose during the course of his investigation. It is, therefore, necessary to clarify this position fully in Section 4 itself by a suitable amendment.

We are of the opinion that sub-section (5) of Section 4 be deleted.

Accordingly, we propose the following amendments and decisions of sub-sections (4) and (5) of Section 4:

(a) Sub-section (4) of Section 4 may be amended as follows:

"The Commissioner shall, while making an inquiry whether any property is Wakf or not, have the same powers as vested in a Civil Court under the Code of Civil Procedure, 1908, in respect of the following matters, namely:

- (a) summoning and examining any witness;
- (b) requiring the discovery and production of any document;
- (c) requisitioning any public record from any Court or office;
- (d) issuing commissions for the examination of any witness or accounts;
- (e) making any local inspection or local investigation;

(f) any other matter which may be prescribed: *provided that, if during such inquiry any dispute arises as to whether a particular property is Wakf or not, all parties affected should be given a reasonable opportunity to be heard.*"

(b) Sub-section (5) of Section 4 may be deleted.

As a corollary to our suggestion that the word "existing" in sub-section (1) of Section 4 may be deleted, it is recommended that similar words used in sub-section (2) of Section 5 may also be deleted.

We are, therefore, of the opinion that with the amendment of sub section (1) of Section 6 effected in 1969, the interpretation of words "person interested therein" by the Rajasthan High Court to mean "person interested in a Wakf" as defined under clause (h) of Section 3 is no longer relevant.

Therefore, we recommend that the following addition to clause (h) of Section 3 as 3(h)(iii) on the lines suggested by the Amendments Committee of the Central Wakf Council be effected:

Addition proposed to be inserted as 3(h) (iii):-

"Any person aggrieved or affected by any notification or order issued under the provision of this Act by the Board or any officer duly authorised to do so, as the case may be, and any person who claims any interest in the property included in the list of Wakfs or any property said to be Wakf or Wakf property."

We are also not in agreement with the interpretation of Section 27 of the Central Act by the Rajasthan High Court. The High Court states "Section 27 does not seem to suggest that it empowers the Board to decide the question whether a particular property is a Wakf property or not, if that challenge comes from a stranger, who is neither mutawalli nor a person interested in the Wakf, but who belongs to another religious denomination and who claims a valid title and lawful possession over the property. To accept the respondent's argument would mean that the Board has been given powers of the Civil Court to decide such disputes between itself and strangers and thus to make the Board's decision final unless it is changed by a civil court of competent jurisdiction."

The Committee, however, feels that in view of the fact that the decision of the Wakf Board under Section 27 is clearly and expressly meant to cover even the third parties claiming interest in Wakf properties, it may not be correct to permit the Board itself to decide upon the manner and procedure of any such enquiry "as it may deem fit". It would be better that the State Government is empowered to fix the norms and details of procedure for such an enquiry. As such, the words "as it may deem fit" may be substituted by the words "as prescribed" in sub section (1) of Section 27. In the Act itself we may add a proviso to Section 27 on the following lines:

"provided that before taking any decision the Board shall afford to all parties likely to be affected by its decision, a reasonable opportunity of being heard".

List of Proposed amendments to the 1954 Central Wakf Act to overcome the effects of the Rajasthan High Court Judgment

(A) Section 3(h):

The following new clause may be added to Section 3(h):

"(iii) Any person aggrieved or affected by any notification or order issued under the provisions of this Act by the Board or any officer duly authorised to do so, as the case may be, and any person who claims any interest in the property included in the list of Wakfs or any property said to be Wakf or Wakf's property".

(B) Sub-heading to Section 4:

The word "preliminary" may be deleted from the Sub-heading to Section 4.

(C) Section 4(1) may be amended as follows:

"4(1) The State Government, by notification in the official gazette, appoint for the State a Commissioner of Wakfs and as many additional or assistant Commissioners of Wakf as may be necessary for the purpose of making a survey of Wakf properties in a State. Second or subsequent surveys may be ordered by the State Government periodically as prescribed.

Provided that a period of twenty years should elapse after the completion of the survey at the commencement of the Act, before any fresh survey is ordered by the State Government."

(D) Section 4(4)

In Sub-section (4) of Section (4), the following amendment may be effected, namely:

"The Commissioner shall, while making any inquiry including an inquiry whether any property is Wakf or not, shall have the same powers as are vested in a Civil Court under the Code of Civil Procedure, 1908, in respect of the following matters, namely:

(a) Summoning and examining any witness;

(b) requiring the discovery and production of any document;

(c) requisitioning any public record from any court or office;

(d) issuing commissions for the examination of any witness or accounts;

(e) making any local inspection or local investigation; and

(f) any other matter which may be considered.

Provided that if, during such inquiry, any dispute arises as to whether a particular property is Wakf or not, all parties affected should be given a reasonable opportunity to be heard."

E. Sub-section (5) of Section 4 may be deleted.

F. Section 5(2):

In section 5 of the Principal Act, in Sub-section 3, the word "existing" shall be omitted.

G. Section 27(1):

(a) in Section 27 of the Principal Act, in Section (1) for the words "as it may deem fit" the words "as prescribed" may be substituted.

(b) in Section 27 of the Principal Act, of Section (2), the following proviso shall be inserted:

"Provided that the Board before taking any decision shall provide reasonable opportunity to be heard to all parties

likely to be affected by its decision."

#### Wakf by User

The Punjab High Court took up the Letters Patent Appeal No. 335 of 1969 in the case of Punjab Wakf Board, Ambala Cantt. vs Panchayat Garhi Brahmin, Tahsil Sonapat and another. It was fully within the competence of the High Court, on the basis of the documentary and oral evidence produced before it by the respective parties, to decide whether the property involved was an old graveyard or not. If the High Court had given its decision mainly on a question of fact and decided that particular property under dispute had not been established on the basis of the oral and documentary evidence before it to be Wakf by user, the Committee would not have taken up the case for detailed consideration. The High Court while deciding the aforesaid case has, however, laid down for the first time certain criteria, which are at variance with the hitherto generally accepted norms adopted for determination of Wakf by user and in addition has made a few observations relating to Wakf by user which in our opinion have rendered uncertain the very future of this category of Wakf. Therefore, the Committee proposed to deal with them ad-seriatim.

We are of the opinion that the adverse effect of the Punjab High Court judgment on all Wakfs by user should be urgently countered. It is not a case of just deciding whether a particular piece of land is Wakf by user or not. On the other hand, it is necessary to counter some of the legal propositions contained in the judgment, such as user required to reach a "point of no return" or the effect of later disuser or deconsecration of religious properties as a result of disuser. Inasmuch as an appeal against this judgment has been rejected by the Supreme Court in limine, we urge immediate legislative action even through an ordinance before the interpretations by the Punjab High Court result in adversely affecting the entire class of Wakfs by user in the whole country. We, therefore, consider that the term "Wakf by user" should be amplified and suitably elaborated in the Central Act itself, so as to make it conform fully with the accepted concepts of this category of wakf under the Shariat and the case law on the subject.

The Committee, therefore, recommends that an explanation may be added to sub clause (i) of clause (1) of Section 3 of the Wakf Act, 1954, retrospectively on the following lines:

"A wakf by user shall not cease to be Wakf by reason only of the user having ceased irrespective of the period of such disuser".

The interpretation by some High Courts of the Public Wakfs (Extension of Limitations) Act, 1959, 1967 and 1969 - Immediate remedial measures suggested.

We feel that the word "Public Wakfs" in Section 2 of the 1959 Act should have been defined more comprehensively. In view of the fact that under the Wakf Act, 1954, the category of Wakfs by user has, under sub-clause (i) of clause (1) of Section 3, been included but in a separate clause in the definition of Wakfs generally, we are of the opinion, that in Section 2 of the Public Wakfs (Extension of Limitation) Act also a separate clause should have been introduced to make

it clear that public Wakfs by user are also meant to be exempted from the law of limitation. On the other hand, we find that definition of Wakf as obtained in the Mussalman Wakf Validating Act No.6 of 1913 has been adopted in toto in the Act 29 of 1959 although it had been held in the case of Mami and another vs. Kallandar Ammal(1927-PC.22) that definition of Wakf under that Act is not exhaustive. The definition in the 1913 Act is of Wakfs only and not of "public Wakf". To have adopted it as the definition of "public Wakf" was bound to create difficulties in interpretation. In the opinion of the Committee, this has resulted in the interpretation by some of the High Courts that a public Wakf by user does not come within the purview of Section 2 of the Act.

We feel that inasmuch as the very objective of the 1959 legislation was to protect all public wakfs of a religious, pious, and charitable nature and that the objective has been defeated because of the interpretation by the High Courts of the definition of "public wakfs", we see no objection to clarify the definition retrospectively so as to make it conform to the objectives of the original enactment. We are further of the opinion that the condition laid down in Article 19(5) of the Constitution will be fulfilled in view of the fact that the protection is being extended to only "public wakfs by user" which are primarily meant for general and public good.

We find the question of inclusion of supporting public wakfs coming under the definition of wakf enacted through the addition of section 66c of Central Wakf Act was brought up and dropped while considering the 1967 legislation. It was decided to drop the inclusion of this category of public wakfs only because it was feared that it may give rise to criticism in Parliament and also the title already acquired by illegal occupants would be unsettled. Both these reasons, we are of opinion, do not justify the exclusion of this category of supporting public wakfs essentially meant for religious, pious and charitable purposes. When Parliament had agreed to extend protection against running of limitation to all public wakfs of a religious, pious and charitable nature, in principle, it would certainly not have taken exception to extending similar protection to the category of supporting wakfs. The other argument advanced that it might have disturbed the rights of the occupants and thereby attracted Article 31(1) is also untenable because such a measure does fulfil all the conditions warranting reasonable restrictions for public good as required under Article 19(5) of our Constitution.

Therefore, we feel that if any fresh and comprehensive legislation on the subject is undertaken, there could be no legal or constitutional difficulty in both comprehensively defining "Public Wakf" so as to include public wakfs by user and also in extending the protection to supporting public wakf coming under Section 66c of the Act. Being a Central Legislation on a Subject figuring in the Concurrent List, the provision of the Central Law will prevail as against State enactments on the same subject. Such a Central Legislation will, administratively speaking, also obviate taking separate corrective action of redefining "Public wakfs" by separate enactments.

We have also noted that whilst enacting the 1967 and 1969 legislations, an extension of limitation, Section 3 of the original Act has not been suitably amended to conform to the fact that the Indian Limitation Act, 1908, had, in the meanwhile, been replaced by the Limitation Act, 1963. The

result has been that reference to Articles 142 and 144 of the first schedule of the India Limitation Act, 1908 in the Acts of 1967 and 1969 was allowed to be continued in these Acts. It has been reported from Maharashtra that as a reference to Articles 142 and 144 of 1908 Limitation Act were not substituted by reference to the corresponding provisions of the Limitation Act of 1963 and 1967 and 1969 Acts, the benefit of Section 3 of the Public Wakfs (Extension of Limitation) Act of 1959 has been denied to Plaintiffs in a number of suits.

In view of the provisions of section 8 of the General Clauses Act, 1897, we do not agree that this view of the courts of Maharashtra is correct. Accordingly to sub section (i) of section 8 of the General Clauses Act, 1897, the reference to the 1908 Limitation Act in section 3 of the Public Wakfs (Extension of Limitation) Act 1967 and 1969 will have to be construed as a reference to the corresponding provisions of the 1963 Limitation Act. In *Narottam Das vs. State of Madhya Pradesh* (AIR 1964 S.C. 1667), the Supreme Court has upheld the aforesaid interpretation of Sub-section (i) of section 8 of the general clauses of Act, 1897. The relevant observations of the Supreme Court on this issue are to the following effect :

The definition of expression used in an Act with reference to other Acts is a well known device adopted for the sake of brevity. The definition would remain effective even after the other Act with reference to which the definition was given ceases to exist."

Despite the legal position, we are of opinion that is as much as an entirely fresh and a self contained legislation on the subject is contemplated, we may just as well delete references to Articles 142 and 144 of the Indian Limitation Act, 1908, and substitute therein a reference to the corresponding articles of the Limitation Act of 1963.

We, therefore, propose to make an appropriate recommendation in this regard in our final report. In the meantime however we strongly urge that the limited protection already accorded by Parliament in principle, in respect of all public wakfs of religious, pious & charitable nature should be fully and correctly extended to public wakfs by user and such of the supporting public wakfs which come under the definition of wakf in section GGC of the wakf act. The urgency for such an action is underlined by the imperative need to save the large number of cases already thrown out and huge litigation pending in the various law courts of the country. In view of the immediacy attached to the matter, we have attempted a draft enactment which is placed at Annexure D'.

We, therefore, recommend that sub-section (4) of Section 43 may be amended so as to provide that no action shall be taken by the Board under sub-section (1) or sub-section (2) unless it has held an inquiry into the matter in the prescribed manner and the decision for the removal of the Mutawalli has been taken by a majority of not less than two thirds of members of the Board.

We, therefore, recommend that the definition "public premises" in the Central Public Premises (Eviction of Unauthorised Occupants) Act 40 of 1971 and in other similar State Acts may be broadened to include the premises belonging to any public Wakf or trusts and all religious and charitable institutions serving a public purpose.

There is another aspect of encroachment of Wakf

properties by the State Govt. departments and local bodies. When the State Govt. is the administrative authority and is in overall control of Wakf administration, any encroachments by the State Govt. itself on Wakf properties would amount to the fence encroaching upon the land it is meant to protect. We find that the efforts of the Central Govt. to remove such unhappy encroachments taken up as early as in 1961 have failed to cut much ice. The Central Govt while urging the State Govts. for early handing over of wakf properties under their illegal occupation or occupation of local Govt. institutions had put forward some concrete and reasonable proposals for an expeditious solution of this problem. In view of the importance of the matter, we would like to reproduce these proposals of the Central Govt.:

(a) where feasible, the property should be vacated and handed over to the Wakf Boards concerned,

(b) where, however, costly constructions have been made on such lands and their vacation is not feasible, the State Govt. may kindly enter into permanent leases with Wakf Boards concerned after paying to them the bulk of the market value of the land as premium, or

(c) in the alternative make over the fair market value of the lands to the boards who relinquish their rights over the land if it is in their direct management or obtain from the Mutawallis concerned with their consent the necessary deeds of relinquishment.

Summing up, we recommend legislative action in respect of an unauthorised occupation by private parties of Wakf properties and administrative action at the highest level in the matter of encroachments of Wakf properties by State Government departments and local bodies, since any litigation as between the State Wakf Boards and the State Govts. is not advisable.

Any attempt to tone up the administration of Wakf Boards without first providing a sound basis for their solvency would only be an exercise in futility. The unsound financial position of the board is the rock on which all schemes and measures so far undertaken by the Boards and State Govts. to improve the administration of Wakf Boards have foundered. With the increasing gap between income and expenditure, most of the boards are not in a position to employ the necessary administrative, supervisory and field staff to enable them to effectively discharge the duties and obligations cast on them under the various provisions of the Central Act. Apart from their inability to employ the requisite number of inspectors, auditors, accountants, and other staff, the boards are unable to attract right type of qualified employees because of the unremunerative salaries they are able to offer to them. We are, therefore, not surprised to find that common staff pattern of the Wakf boards consists mostly and in some cases wholly of retired personnel who have been re-employed on meagre salaries.

The main, and in many cases, the only source of income of Wakf boards is the 5 per cent contributions realised from net income of the Wakf under them. Net income is defined in clause (g) of section 3 of Act 29 of 1954. Some sources of income being near static, it is possible to increase them only if Wakf boards' properties from which they are derived are improved. The current financial props by providing grants and loans by State Govts. to enable the boards to make both ends meet can't help to permanently improve their financial position. Thus, we are convinced that unless and until the

income of Wakf institutions is suitably raised, the problems of financial paucity faced by the State Boards would continue.

The Committee further finds that whilst the attention is paid mostly to the inadequate income of the State Wakf boards, the none-too-satisfactory financial position of most of the important Wakf properties linked to mosques, idgahs, imambaras and the like is lost sight of. The cost of maintenance of these important institutions has increased enormously due to current price situation. Added to it, the salary bill of the staff necessary to run these institutions has also gone up. Whilst expenditure has increased steeply, the income has remained stationary. The cause of this imbalance is the inability of the State Wakf boards to increase the rents of the urban immovable properties which nearly in all cases are the main source of income of such institutions. We find that in the case of several important mosques, imambaras, and graveyards it has become impossible for the Mutawalli of Committee of management to maintain them properly with the result that there is general impression of decay and dilapidation.

Wakf institutions which are so-called "public wakfs" and which had at one time or other come under the control of the Custodian of Evacuee Property, following the partition of the country, have suffered the most. Section 2(F) of the Administration of Evacuee Property Act, 1950 to the extent it is material defines "evacuee property as any property of any evacuee (whether held by him as owner or as a trustee or as a beneficiary or as a tenant or in any other capacity)". In this Act, special provision existed in respect of certain trust properties including Wakfs. It is provided in section II(i) that "where any property is in trust being a public purpose of a religious or charitable nature (Wakf) that property shall remain vested in custodian only until such time as the new trustees are not appointed by the Central Government". Under Section II(ii) in respect of Wakf-alat-aulat (a) where the Mutawalli is an evacuee the property forming the subject matter of the Wakf shall vest in the custodian subject to the right of the beneficiaries as under the Wakf, if any, who are not evacuees, the rights and interests of such of the beneficiaries as are evacuees shall alone vest in the custodian. Under the above-quoted provisions, for sufficiently long period, most of the Wakfs including "public Wakfs" come under the control and jurisdiction of the custodian in the States of Punjab, Haryana, Himachal Pradesh, Uttar Pradesh and Rajasthan. During this period, the custodian has leased out valuable agricultural land on low rentals and also rented out valuable urban properties only on nominal rents. The chairman of "Punjab Wakf Board" has pointed out to us, as also the Rajasthan Wakf board, that shops under other buildings in the heart of the market in the various cities of these states have been rented out on paltry rent of Re. 1/- or Re. 2/- per month mostly in favour of refugees from Pakistan. All these lease holders and tenants have, however, remained permissive occupants and tenants even after the administrative control of these properties passed into the hands of respective Wakf boards. They can neither be dispossessed under the Extension of Limitation Act, 1959, nor can the rents be suitably raised because of provisions of the Rent Control Acts prevailing in the States.

The Committee is of opinion that this sorry state of affairs, though necessitated by circumstances beyond

anybody's control, should not be allowed to continue when almost normalcy has returned. The position needs to be corrected and in our opinion the only way to do so is to exempt Wakfs of a public nature from the provisions of the Rent Control Acts prevailing in the States.

The control of letting of urban property is a State subject belonging to List 2 of the 7th Schedule of the Constitution. We foresee the difficulty and the reluctance of the Central Govt. to offer advice to the State Govts. in this matter because the "raison d'etre" of such legislation is the protection of the tenant from whims of an unscrupulous landlord. There is much to be said in favour of legislation which seeks to limit these whims of a landlord in dealing with his tenants. But in case of Wakfs of a public nature the advantage to be derived for the benefit of public institutions, which happen to be the main beneficiaries from suitable increase in the income of the properties which serve them far outweigh any consideration which weighed in restricting the power of individual landlords.

We are of the opinion that it may be possible to persuade the State Govts. to exempt all "public purpose, and as a matter of fact, all public trusts, endowments belonging to all communities" from the provisions of Rent Control Act. All properties belonging to Central Govt. and State Govts. or local authorities have been exempted from all the provisions of Rent Control Act in different States. In the Rajasthan Premises (Control of Rent and Eviction) Act No. 17 of 1950 under clause (c) of sub-section (II) of section 2 of the Act, any premises which are meant to be places of public amusement or sports such as cinema buildings, theatres and the like and which are let out for being used as such, have been exempted from the provisions of the said Act. In most of the Acts, the premises occupied by State or Central Govt servants have been exempted from the provisions of Rent Control Acts. The properties owned by Wakf or trusts of a public nature should not, in evaluating their utility to society, be placed at a lower level than a cinema or theatre. It is for these reasons that States of Andhra Pradesh, Kerala and Mysore have already exempted properties attached to public Wakf from the provisions of Rent Control Acts. We are informed that the Govt. of Rajasthan and Delhi Administration have also agreed in principle to grant similar exemptions.

In most of the Rent Control Acts the State Govt. has been empowered to exempt through notification any class or category of properties from all or some of the provisions of the Rent Control Acts prevalent in the State concerned. It should, therefore, be possible in the case of States wherein such a provision exists in the Rent Control Act to notify the exemption of all public Wakfs, trusts and endowments from the operation of the Rent Control Act forthwith without resorting to legislation.

As legislation on the subject comes under the State list, we are unable to recommend any amendment for the said purpose in the Central Wakf Act 29 of 1954. We, therefore, recommend to the Central Govt. to use all the persuasive resources at its disposal to prevail upon the State Govts. to grant the necessary exemption to Wakfs from the operation of Rent Control Act. The initiative in respect of Union Territories can be taken by the Central Govt. itself. This, in our view, is the sine qua non of effective improvements of Wakf institutions in the States.

# WORKING GROUP ON FINANCIAL AND FISCAL MEASURES, 1971.

## Report, Delhi, Controller of Publications, 1973. 186p + iip.

**Chairman:** Dr. D.T. Lakdawala.  
**Members:** Shri T. S. Sankaran; Dr. R. M. Honavar (Resigned); Shri J. Banerjee (Resigned); Dr. Tapas Muzumdar (Resigned); Dr. J.N. Sinha (Resigned); Shri. G. Ramanujam (Resigned); Shri Raj Pal (Resigned); Dr. M.N. Goswami; Shri D.H. Pai Panandikar; Dr M. Yadava Reddy; Dr. M.K. Rakshit; Dr P.D. Ojha; Dr. Y.K. Alagh; Dr. G.S. Bhalla.  
**Secretary:** Dr. V. Agnihotri

### APPOINTMENT

The Expert Committee on Unemployment set up a Working Group on Financial and Fiscal Measures under its office Memorandum No. 9/2/ 71-ECU (Tech)/F & FM dated 22nd September, 1971, to suggest suitable strategies for employment generation both short-term and long-term including technical, financial, and fiscal measures in respect of different sectors of the economy.

### TERMS OF REFERENCE

To suggest suitable strategies for employment generation both short-term and long-term including technical, financial and fiscal measures in respect of different sectors of the economy. The Working Group will with regard to the subject allocated to it, ascertain facts, locate the main problem areas, examine solutions for the problems and suggest such of them as it would commend for the Committee's consideration.

### CONTENTS

Introduction; Strategy for an Employment Policy; Technical, Financial and Fiscal Measures; Criteria for Incentives; Suggestions for New Incentive schemes; Acknowledgment; Annexures I to X.

### RECOMMENDATIONS

The unemployment problem in India cannot be separated from the problem of large scale poverty. The solution to both the problems lies in the provision of gainful employment and raising the productivity of the labour force through appropriate planning policies (the incidence of large scale unemployment, both overt and disguised, at existing levels of techniques being found low).

The problem of raising productivity levels is essentially a problem of economic planning which includes the expansion of the core sector of the economy. Yet employment objective as part of the overall planning objective can be achieved through the adoption of labour intensive techniques in projects that are selected as an integral part of the Plan.

The wage fund constraint needs to be more specifically

introduced into the planning process and income distribution changes and their effects on employment specifically considered.

Mechanisation should not generally be allowed unless it leads indirectly to more employment and/or more surplus generation. Specific types of mechanisation in agriculture thwarting the employment generation efforts of the new agricultural technology need to be discouraged.

An area/activity approach is needed to supplement the core industrialisation programme in a manner such that integrative type of employment generating activities may be promoted in selected areas.

### Suggestions for New Incentive Schemes

Owing to lack of reliable and relevant statistics and the simultaneous operation of regulations and controls and extension of other facilities it becomes difficult to form any considered judgment regarding the effect of incentives. But there is no doubt that on all its major fronts to secure more employment, viz, reduction of excess capacity, stimulation of labour-intensive techniques, encouragement of small-scale industry, altering the pattern of demand in favour of labour-intensive commodities, regional dispersal of economic activity, encouragement of exports, and general aid to more production and investment, the success has been very limited. The system, therefore, needs to be oriented with reference to:

1. The total amount of incentive that should be offered;
2. the type of incentives that should be offered; and
3. other steps that may be simultaneously needed.

What the reasonable level of incentives should be cannot be said a priori, in conjunction with other devices they must be powerful enough to achieve the objectives in view. The level would, therefore, vary with the detailed circumstances. In this connection one must bear in mind the level of protection against foreign competition now regarded as reasonable by many development economists and the level of tariffs and quantitative import controls actually prevalent in many developing countries. There is no perfect analogy between international and interregional trade. Prospects of greater labour and capital mobility, the accepted ideal of free commodity movements and possibilities of regional income transfers and of equalisation of public services through fiscal operations make a region very different from a nation. But some regional economists have expressed dissatisfaction with the lower level of differential advantages as being a cause of persistent regional imbalance. Any level of incentives, therefore, cannot be easily ruled out as too high in itself; it has to be considered in conjunction with the duration, the detailed objective, and the efficacy of other alternative devices. At the same time, the incentives must not impose a high burden on the Budget. From this point of view, it appears that, to the extent possible, a new proposal for incentive to do some-

thing, say, make greater use of labour, should be combined with a disincentive to discourage greater use of capital, or removal of an existing incentive. Such a combination of incentives and disincentives would minimise the revenue loss to the Government. In terms of this approach a set of measures has been indicated below:

It has been found that in recent years the trend has been in favour of capital intensive technology. This is largely the result of modernisation of the methods of production. Undoubtedly, it would be wrong to deliberately deny ourselves the advantages of modern technology, where it economizes the use of both labour and capital, or where it is essential in the interests of safety or needed precision or surplus for growth. But it is equally true that within this larger objective, in a capital-scarce economy, where wage-profit ratio in certain lines may not reflect the labour-capital endowment, it is essential to economise the use of capital and encourage greater use of labour. Many of our existing incentive systems work in the reverse direction and, therefore, need to be reoriented.

### Removal of Interest Subsidy

It has been observed that there has been a hidden subsidy in the form of concessional interest rate charged by financial institutions. This subsidy should be generally done away with, not only with reference to large-scale but also small-scale enterprises. An increase in interest rate will raise the prices governed on a cost plus basis specially in those concerns where the capital borrowed from financial institutions is large. Where development and welfare effects of such a price rise are felt to be adverse, a subsidy can be given. We do not think this will be essential over a wide sphere. If the development of a particular sector is considered vital on the ground of its potential contribution to the economy which is not reflected in commercial balancesheet and where a subsidy will not help, it may be legitimate to allow financial institutions to charge concessional interest rates. For their smooth and successful operation, financial institutions should enjoy some flexibility in their operations, including fixation of interest rates and repayment periods. Owing to their close and intimate touch with the enterprises they are in a good position to judge the business side. Many of these institutions and commercial banks are either nationalised or closely controlled by the Government, and they can be trusted to carry out the tasks assigned to them.

### Subsidy to Employment

It would be worthwhile considering whether this measure cannot be reinforced by making employment of labour more attractive. An effective way, which has been tried with some success in other countries, is to treat wages more favourably for tax purposes than other expenditure items. It would be more appropriate though more difficult to relate the weighted wage bill to the number of persons employed rather than the wage bill as such. A possible alternative would be to give undertakings relief in respect of their social security contributions.

There are, however, a large number of difficulties associated with the employment subsidy. In the first place, to keep it financially manageable and create an impact, the sub-

sidy given to additional employment can be manipulated by break-up of units, closure of an old unit and starting of a new one, etc. A subsidy adopting this criterion would necessarily have to be confined to only large-scale enterprises. The additional employment covered will only be direct. In the case of agro-industries, important from the view-point of backward areas, the more indirect employment in input supplying farms will not be taken into account. An employment subsidy is, therefore, to be ruled out both on administrative and financial considerations.

### Subsidies Related to Capital

The major defect of the existing system of incentives is that most of the concessions are linked to capital and some to fixed capital and, therefore, entrepreneurs may be induced to use more of capital. To stimulate production and investment in the private sector, capital and enterprise must be attracted and this can only be done by making the rate of return attractive. Assuming that this cannot be done through a change in the external environment, it has to be managed through incentives. From the view-point of the entrepreneur, assuming he is likely to get the same amount, he would prefer a capital subsidy to one on production and the latter to a development rebate and a development rebate to a tax holiday. From the view-point of the economy, a concession linked to productive employment would be welcomed; if a subsidy to employment is ruled out, production, profits or investment are the alternatives to be considered. A production subsidy will have to be given at varying rates. This makes it cumbersome. It will generally have to be linked with the existing system of excise duty or sales tax or in the alternative it will necessitate a new apparatus. Between profits and investment the former would be a preferable base. Investment may not necessarily fructify in more production or employment and capital can be substituted for labour.

### Tax-exempt Profits and Reserves

We feel that as far as priority industries are concerned, a powerful uniform incentive not related to investment that can be offered to them is to completely exempt their profits from income taxation for a period, say, three years after the commencement of production. This will also serve as an effective inducement to quick and efficient operation. This will differ from the existing tax holiday incentive both in its coverage and the link to capital. Under the tax holiday scheme, the tax exempt profits are related to own capital which would mean that more profits obtained from greater use of labour will have full impact of taxation. In addition, for such industries a scheme of investment reserves as in Sweden can be considered. While in Sweden such a scheme is used mainly as a counter cyclical measure its modified version can be used in our country for growth of certain selected industries and for development of selected backward areas. Industrial concerns may be permitted to transfer upto 30% of their pre-tax profits to a special investment reserve fund. The whole of these should be deposited with the Government and should be made available to industries for investment in specified types of economic activities or for investment in selected backward areas. The Government should pay a reasonable rate of interest on these reserves. If the



companies desire to use the reserves for other purposes, they should be permitted to do so only after the payment of the tax. Naturally they should not be allowed interest on this part of the reserves. Such a scheme will also act as incidental incentive to company savings.

The devices for small-scale industries, it has been found from experience, can be more effective if these are in the form of assistance than fiscal or monetary concessions. This has been appreciated by the authorities and efforts on these lines have also been made. However, there is considerable scope for expanding facilities in this field.

### Reservation of Production

A section of industry has been reserved for small scale and village industry sector. This has given some protection to small industries. A relevant point here is the difference in the cost of production between small and large units. It is likely that due to economies of scale, cost per unit of production may be relatively lower in large-scale capital intensive units than in small-scale ones; encouragement to small-scale industries under these circumstances, one may argue, would imply promoting inefficient units of production. This line of reasoning rests on a static view of the situation. The production processes in village industries and some small-scale industries are still traditional. With multiplicity of measures aimed at improving the technique of production, uplifting of traditional skills through proper training, marketing and credit facilities etc. which are being taken, the economic performance of these industries can improve substantially. Once this happens, the gap in costs of production between small and large units may be eliminated. A note of caution may, however, be sounded in this connection. Village or small scale industries should not be given special encouragement only because they give employment specially now as we will have a public assistance programme. The heart of the problem is to master the art of locating lines in cases the comparative differences in costs can be quickly bridged, the devices through which this can be done and their effective implementation. Errors in these can prove costly and can make the whole programme a drag on economic growth.

### Ancillary Products

The major role of small-scale sector is in ancillary products. The development of ancillary industries is also necessary to reduce the cost of production of the main product. The growth of ancillaries can be fostered if a machinery can be devised to coordinate the development of large-scale parent industry and of ancillary industries, right from the initial stage. In order that the full potential of major industries for area growth is realised, it is important that their backward and forward linkages should be studied and plans should be laid down in advance as to how the area could be prepared to benefit most from these linkages. This is possible if a Joint Committee of small and large industry organisations is set up to examine the applications for industrial licensing from this angle and indicate possible areas for ancillaries connected with parent industry.

Location of ancillaries may have to be done near the parent units. In other cases it would be desirable to locate small-scale industries at selected growth centres rather than

spread all over the country. This step will result in considerable economies in infrastructure and facilitate provision of other 'assistance' services. Therefore, incentive schemes, instead of being general must as far as possible be specific in regard to location.

### Regional Development Corporation

It has been accepted that a definite effort has to be made for dispersing industries to backward areas. The industries so selected need the greatest efforts to develop through provision of facilities normally lacking in such areas and a system of incentives. A rapid and selective expansion of the economic and social overheads will have to be planned by the Government keeping this in view. When these centres achieve a degree of viability the incentives can be withdrawn.

We feel that the best agency to look after such areas would be the Regional Development Corporation which would also be responsible for selecting homogeneous areas for intensive activity, say, development blocks. While the selection of such areas shall be mainly on economic grounds, social considerations may also be given some explicit weight e.g. development of a viable agriculture and related industrial possibilities may be considered for a dry farming tract. Since we contemplate that important incentives should be given by the Central Government for the economic development of the area the selection of areas must be approved by an all-India body which should ensure uniformity and coordination among different States in this matter. We suggest that the Industrial Development Bank of India which has already taken some steps in this direction of area surveys and area planning may be entrusted with this task. Considering the differences in the financial and administrative capacities of different State Governments, the seed money for such Corporations may be provided by the Government of India. The Government of India may also prepare a roster of trained managerial and technical personnel to man such institutions and may make available the required expertise, as and when requested. Training facilities may also be provided. The Regional Development Corporation will play an active role in the preparation of area development plans and channel the efforts of State level agencies, term lending institutions, and nationalised banks for the implementation of the projects it prepares. It will have to decide whether, having regard to the nature of the project, it will be preferable to put it in the public, joint or cooperative sector. If the project has to deal with atomistic input producers, there will be a strong case for such a preference; in other cases it will try to get private entrepreneurs interested in them. The Regional Development Corporations may sponsor such activities themselves if other agencies are not forthcoming and also, if necessary, engage in the provision of certain types of infrastructure activities e.g., veterinary facilities in the case of a dairying project, specific training facilities and construction of approach roads, etc. In short, although their role is generally expected to be that of planning and promotion, they may play a direct entrepreneurial role themselves and take action for removal of specific bottlenecks to area development.

The pattern of development of backward areas that we visualize is such that at the end of a fixed period, say, five to ten years, the backward areas should grow into developed ones, so that special attention to them should be no longer

essential. We, therefore, recommend that there should be a periodical review of the status of selected areas.

### Capital Grant

The major deficiencies in such backward areas will be lack of local entrepreneurship and skilled labour. To attract them from outside sufficient inducements may be needed. Very often in such areas the likelihood of new economic activities being successfully carried out is heavily discounted. A development rebate or exemption of profits from tax has, therefore, little appeal. Experience in other countries has revealed that a capital grant is more effective in this connection, as it has an immediate impact. Since it is contingent only on the act of investment it accrues soon and improves the liquidity position. We, therefore, recommend a capital grant to all new units set up in selected backward areas. For administrative reasons very small units will have to be kept out. In view of our plea for the entire abolition of all State incentives we think it will be fair to increase the capital grant to 20 per cent.

### Inducements to Mobility of Crucial Personnel

The movement of industry to growth centres will call for some mobility of labour from nearby areas. Advance planning will have to be done for providing adequate civic amenities to such labour and also for meeting costs of movement. In Sweden, to tackle the problem of pockets of unemployment in an overall situation of virtually full employment (2 per cent unemployment) an elaborate system of such allowances has been successfully operated. In India, due to a large number of unemployed, it may not be feasible to extend such inducements to all of them in view of limited fiscal resources. But a scheme on these lines, restricted to some crucial personnel, may be thought of on experimental basis.

The major changes suggested in technical, fiscal and financial devices may be briefly summarised as follows:

In the present Indian context, fiscal and financial incentives should not generally be essential for stimulating production and investment. A speedier, more consistent and more purposeful administration of controls and regulations may be more helpful in this connection.

In the public sector, the employment objective can be directly achieved. Incentives are, therefore, not essential except in public industrial and commercial undertakings and that also for only accounting and management control purposes. They may be necessary in the private sector to supplement and reinforce controls and regulations.

In the private sector, the unorganized parts like agriculture and village and small industry suffer from such handicaps as need radical organisational changes, detailed controls, and a widespread extension of public services facilities. Technical devices are more helpful in their case. On the other hand, the organized parts are in a position to fully benefit from incentives.

The incentives to industry are many, but they have evolved haphazardly. They have been introduced and modified from time to time for various conflicting purposes. It is difficult to quantify them or even reduce them to a common pattern. There is no detailed reliable information about the working of these incentives. The varying State incentives

are likely to work at cross purposes like competitive advertising. The more advanced States because of their better financial position and administration are likely to do much better in this regard.

The major fiscal incentives given by the Central Government for industry in developed areas are the development rebate and the tax holiday. The withdrawal of development rebate has been announced from May 31, 1974. In our opinion, this is a correct step. Tax holiday benefit also in its present form should be withdrawn, as it is linked to capital. All-India term lending institutions charge concessional interest rate for all their loans. The continuance of this practice, in spite of utmost scrutiny by the institutions, is likely to promote generally the greater use of capital and capital-intensive techniques and should be generally done away with.

A subsidy to organized industry based on the number of persons employed appears as the best device to encourage labour intensive techniques and thus employment but, owing to many administrative and financial difficulties, it is not recommended.

To stimulate investment and production in new risky capital intensive industries of great national importance where reasonable profit is unlikely immediately, incentives may be used. These may take the form of a modified tax holiday, complete tax exemptions for a period say three years, and permission to use tax-free investment reserves. Companies should be allowed to deposit with the Government 30 per cent of their pre-tax profits and these should not be liable to company taxation.

Small industry is given the special incentives of price preference in Government purchases, concessional interest rate, lower duties, etc. The major benefits the units get are, however, from reservation of the market and the Central and State facilities extended to them. In view of their important role in the economy, they are entitled to favoured treatment. A concessional interest on loans to them should, however, be ruled out. Though it may help them against the large-scale units, it may lead to their adoption of more capital intensive techniques. In protecting them great care should be exercised in selection, in nursing them, through the period of protection, and ensuring that the protection comes to an end soon. A more promising approach to helping the small-scale industry may be through planning of ancillary industries round large-scale units based on a careful study of forward and backward linkages. A joint committee of small and large industry organisations should be set up to indicate the possible areas for ancillary industries connected with parent industry.

It may be possible to some extent to shift demand from capital-intensive commodities to labour-intensive commodities especially in case of capital-intensive luxury items. The contemplated programmes in the Approach Paper through their changed emphasis on the poverty problem should ensure this automatically but it may be possible to make a further dent on the problem by shifting consumption in favour of labour-intensive commodities.

Area planning is likely to prove the most important approach to the problem of employment and development. Industries whose establishment can lead to the development of an area should be given the needed encouragement to counter this situational handicap. In view of the various growth prerequisites, both the area and the industry need

## CENTRAL EXCISE (SELF REMOVAL PROCEDURE) REVIEW COMMITTEE, 1971.

Report, Delhi, Controller of Publications, 1975.319p.

Chairman: Shri B. Venkatappiah  
Members: Shri Bhaskar Mitter, Shri G.B. Newalkar,  
Shri K.B.K. Rao; Shri S.P. Kampani (replaced by  
Shri J. Bannerjee).  
Secretary: Shri Lachman Dev.

### APPOINTMENT

In terms of the revenue it brings, Central excise is the largest single tax levied in India. On the latest figures available (1973-74 Budget), it yields over Rs. 2,700 crores and constitutes nearly 54% of the tax revenue of the Union Government. The manner of its levy is, therefore, of considerable importance. Our committee has been entrusted with the task of reviewing the relevant procedures with reference to intended objectives and actual operation. We have also been asked to examine the organisational and administrative set up of Central Excise. Our Report is submitted in two volumes. Volume I deals with procedure and volume II with organisation. The terms of reference, the stages of our enquiry and the scheme of this volume are explained in the present chapter. We may begin with a very brief account to be later elaborated of the historical background of the enquiry in so far as it concerns procedure.

For a quarter of a century, from 1943 to 1968, the standard pattern of excise levy and collection was for the official concerned to assess duty, verify payment, and supervise clearance before the goods produced were allowed to be removed from the factory. In addition, a "gate pass" was prescribed in 1949. This had to accompany each consignment of goods. Each gate pass had to set out the relevant particulars and be countersigned by the assessing officer. Some years later, it was decided to make a selective start with a more flexible procedure. In 1956-57 and again in 1962 certain commodities were brought under what was termed an audit type of control. This enabled the goods to be cleared without the prior intervention of an Excise Officer for either assessment of duty or of counter signature of the gate pass.

The adoption of this procedure was at the time optional. Thereafter, on June 1, 1968, Government introduced what is known as the Self-Removal Procedure (SRP). The new procedure was extended on a compulsory basis to some 59 commodities. Under this scheme, excisable goods produced by a

manufacturer could be cleared by him after he had determined the duty liability himself, without a central excise officer having to be present for assessment or clearance. On August 1, 1969, the procedure was made applicable to all other excisable commodities as well, with the only exception of unmanufactured tobacco. Any new additions made from time to time to the list of excisable commodities also fall within the purview of SRP, but they are first placed under physical control for three to four months. On May 28, when the budget of the Central Government for 1971-72 was presented to Parliament, the Finance Minister said that he proposed to set up a committee to review the Self Removal Procedure with a view to suggesting improvements which could reduce the leakage of revenue. It was in pursuance of this statement that the Central Excise (Self Removal Procedure) Review Committee was set up under Government of India, Ministry of Finance (Department of Revenue and Insurance) vide Resolution No.A-11013/E/134/ 71-Ad.IV dated October, 11, 1971.

### TERMS OF REFERENCE

1. To review the working of the Self Removal Procedure Scheme in the Central Excise Department in all its aspects including an analysis of its merits and demerits vis-à-vis the previous systems of physical control and particularly enquire:

(a) to what extent the Self Removal Procedure has achieved the objectives set out when the scheme was introduced;

(b) whether the Self Removal Procedure has led to or afforded greater scope for evasion of Central Excise duty and if so, to assess the magnitude of such evasion, and also whether such evasion is confined to any particular industry/industries or any sector of the industry/industries and the causes thereof; and

(c) to recommend changes considered necessary in existing Rules and/or procedures to plug the loopholes leading to evasion of duty.

2. To examine whether there are any items in the Central Excise Tariff (excluding tobacco) which, having regard to the safety of revenue, are not suited to be cleared, under the Self Removal Procedure in its present form and if so, to suggest modifications or alterations in the mode of assessment

and collection of duty on such items and suitable Rules and/or procedure thereof.

3. To examine the existing organisational and administrative set-up of the Central Excise Department employed for levy and collection of Central Excise duties under the Self Removal Procedure and to advise the Government in the light of the suggestions and recommendations made with reference to (1) and (2) above, on such reorganisation as may be considered necessary keeping also in view the various agency functions (like those under the customs, Gold Control and other Acts) which the Central Excise Department is at present entrusted with; and

4. To make any other recommendations germane to the objectives of this investigation.

5. The Committee's terms of reference do not extend merely to a review of the working of SRP. They cover practically the entire gamut of the Excise Department's activities with which SRP is intertwined. The enquiry may be said to extend to excise procedures generally (with the exception of those pertaining to unmanufactured tobacco) and to the entire organisation concerned with the implementation of these procedures.

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## SUMMARY

### Volume I (PROCEDURE)

#### GENERAL

##### Introductory

In terms of revenue it brings, Central Excise is the largest single tax levied in India. On the latest figures available (1973- 1974 Budget), it yields over Rs. 2,700 crores and constitutes nearly 50% of the tax revenue of the Union Government. The manner of its levy is, therefore, of considerable importance. The Committee has been entrusted with the task of reviewing the relevant procedures with reference to intended objectives and actual operation. It has also been asked to examine the organisational and administrative set up of Central Excise.

#### The Tax and Exemptions

Duties of Excise are levied and collected on all excisable goods which are produced or manufactured in India at the rates set forth in the First Schedule to the Central Excises and Salt Act, 1944. Excisable goods are defined in the Act as "goods specified in the First Schedule as being subject to a duty of excise."

The First Schedule presently covers some 123 commodities. Duty rates differ from item to item and where there is sub-division, from sub-item to sub-item. A large number of excise levies are multi-point in their operation. Broadly, duties of excise are either specific or ad valorem in character, though there are a number of variants: (1) ad valorem-cum-specific, (2) specific-cum-valorem, or (3)

specific or ad valorem whichever is higher. In certain cases, duties are specific for certain sub-items and ad valorem or a mixture of ad valorem or specific for others. For the purpose of determining the liability of a product to duty or the appropriate rate of duty applicable to it, it has to be classified on the basis of the criteria laid down which, illustratively, include such factors as sucrose content related to temperature, flashing point, flame height, viscosity, count, average count, demirage, diameter, sectional area, shape, circuit ampereage, voltage, horse power, intended use, commercial parlance, etc. Value in the case of goods subject to ad valorem duties and such physical factors as weight (in some cases sectional weight), volume, thickness, length, area, etc. in the case of specific duties have also to be taken into account. In certain cases, goods are accounted for or sold by the producers on the basis of weight but duty rates or concessional duty slabs are based on volume; in such cases, quantities eligible for exemption of assessment have to be computed on the basis of notional conversion formulae. The same diversity on a much wider scale is desirable in notifications issued by Government.

In the case of ad valorem duties, the value of excisable goods is determined in accordance with provisions of law contained in section 4 of the Act. Several difficulties have been experienced from time to time in the working of the provisions sited. By and large, they relate to (i) admissibility of deductions on account of items such as equalised freight and post-manufacturing expenses (e.g. on after-sales service) which are included in the price charged or invoiced, (ii) determination of value in the case of excisable components which do not by themselves command a price or market, (iii) admissibility of discounts of different kinds, (iv) determination of value in the case of new products which enter the market for the first time, and (v) admissibility of prices charged by a producer from a sole distributor or distributors. The existing provisions have undergone alterations by amending legislation (Act 22 of 1973). The new provisions come into force on a date to be notified by Government.

The Act empowers Government to fix tariff values for goods chargeable to duty and ad valorem rates. Apart from tariff values, several other expedients are employed from time to time to get over the difficulties of valuation experienced in relation to certain commodities or in particular situations. These include (i) acceptance of prices fixed by Government from time to time under different enactments, (ii) operation on the basis of transacted prices indicated by the assesseses, (iii) acceptance of rate contract prices as assessable values, and (iv) operation on the basis of the cost of production plus a reasonable margin of profit for commodities produced for captive consumption.

Compounded levy schemes have been evolved from time to time for a certain number of commodities. At present, these schemes apply to (1) Khandasari sugar, (2) cotton yarn produced by a manufacturer who uses the whole or part of such yarn in the manufacture of cotton fabrics in his own factory, (3) electric battery plates, (4) coarse grain plywood, (5) embroidery, (6) cotton fabrics processed (with stentering and mercerising machines) without the aid of power, and (7) cotton fabrics produced on powerlooms. The basic consideration on which these schemes are extended to different industries would appear to be the prevalence in the industry concerned of a large sector of small producers whom it would be dif-

ficult to control under the normal procedure. Duty liability is fixed with reference to some identifiable equipment used by the producer, after taking into account the average production of the commodity concerned and other relevant factors. The Central Government have the power to exempt, by notification in the official gazette, and subject to such conditions as may be specified in the notification, any excisable goods from the whole or any part of duty leviable on such goods. Barring a few exceptions, the exemptions notified cover the entire gamut of Central excise. There are nearly one thousand live notifications today by virtue of which duty reliefs are afforded. It appears that some three hundred tariff rates have, as a result of the issue of notifications of exemptions, been multiplied into more than two thousand effective rates.

There is a miscellany of purposes expected to be served by individual exemption. Some of the objectives are for promotion of exports, increase of production, conservation of resources, development of backward areas, convenience of administration, support to programmes of public health and family planning and, reduction of the cumulative impact of multi-point levies. But much more important and pervasive than any of these has been the objective of encouraging the establishment and growth of small-scale industries in the country. This purpose underlies a wide range of exemptions. In seeking to give effect to it, however, so many different parameters and criteria have been used as to what is, and what is not, a small unit with reference to particular commodities, that a bewildering variety of exemptions has come into being all of which purport to help the small sector. There are several other forms of exemptions which do not relate directly to the small scale sector. Duty exemptions have been assailed on several grounds. One of the major points made is that they lead to fragmentation and pseudo-fragmentation. It has also been stated that where duty is exempted upto certain levels of production or where rates of levy increase with higher output, duty exemptions have the effect of inhibiting or restricting production. It is claimed that fiscal preferences for different sectors within the same industry upset the economic equilibrium between them. The Public Accounts Committee have criticised the executive's power to exempt. It has also criticised exemptions from the administrative angle. Another important point made is that exemptions render assessment an unnecessarily elaborate and time-consuming process. It is generally agreed that schemes of exemptions provide considerable scope for evasion and avoidance of Central Excise duties. The evasion is facilitated by the withdrawal of physical controls under SRP.

From 55 commodities, yielding a revenue of Rs. 489.31 crores in 1961-62, the excise tariff expanded in 1973-74 to 123 commodities expected to yield a revenue of Rs. 2741.25 crores.

Data relating to revenue realised from excisable commodities (other than unmanufactured tobacco) show that on the basis of sanctioned Budget Estimates for 1973-74 the top 23 commodities (with a yield of more than Rs. 20 crores each) together account for Rs. 2229 crores or more than 84% of the total Budget realisation. With the next 17 items also included, the first 40 commodities account for Rs. 2464 crores or 92.8% of the total, the balance of 7.11% (or Rs. 188 crores) being the total revenue contribution of no fewer than 77 commodities. Included in this number are 29 commodities

which account individually for less than Rs. one crore and in the aggregate for Rs. 12.38 crores.

From 1963-64 to 1970-71, the excise revenue increased from Rs. 662.77 crores to Rs. 1675.41 crores or by Rs. 1012.64 crores. The increase was broadly accounted for by the following:-

	(Rs. crores)
I Growth in consumption or/and increase in price where duties are ad valorem	477.16(47.1%)
II Increases in duty rates	477.75(47.2%)
III Extension of excise of new items	57.73(5.7%)
Total:	1012.64(100%)

Classification of factories in terms of revenue realised during 1971-72, shows that:

(i) the four highest revenue slabs, which comprise units yielding a revenue of more than Rs. one crore each include only 1.5% of the total number of duty paying units (excluding powerlooms covered by the special procedure). In terms of revenue, however, they account for nearly 70% of the total realization.

(ii) factories falling in the lowest revenue slabs and yielding a revenue of less than Rs. one lakh each account for only Rs. 25.68 crores or 1.28% of the total revenue. But numerically they comprise as many as 18,874 units or more than 78% of total number of duty paying factories; and

(iii) the rest of the duty paying units, which may be considered as the medium sector (with a revenue yield of between Rs. One lakh and One crore), account for 20 to 21% of the total number of units and for the 28 to 29% of the revenue.

It is noteworthy that the small units, though preponderant in number, yield only a very small fraction of the total revenue.

It is interesting that commodities which are more prone to evasion than others are by and large the very commodities which have a large or preponderant small scale sector.

Effective control of small units has been a matter of considerable concern to the Administration. The administrative problems involved have been rendered even more difficult by the numerous categories of exemptions built into the duty liability of the small sector.

#### Evasion

The general evidence available points to a surprisingly wide range and diversity of evasion. In certain segments of production, it may be said to be almost universal. Evasion is facilitated in a far-reaching manner by two sets of circumstances, one relating to the machinery of implementation and the other to the substance of what is supposed to be 'implemented'. Slack, non-existent or dishonest supervision undoubtedly facilitates evasion. But unnecessarily complicated tariff items and unrealistically designed exemptions constitute between them an even more cause of evasion by providing in-built incentive for mis-classifying goods or under-reporting productions. In several instances the two-fold attempt to achieve precision and introduce progression in excise levies has frequently had the contrary effect of enlarging the area of complexity and increasing the scope for evasion.

Evasion results in part from high tax rates. Excise tariff by and large continued to rise over the years. Wherever this affects the small sector significantly there is significant eva-

sion. This is so when a substantial part of the production is in the small sector, the market is competitive, and the commodity bears a high incidence of excise and other taxes.

More important in this context than the duty rates as such are the rates for different categories and sub-categories of the same tariff items of allied products in different items. Some cases provide for such a steep increase in incidence, from one category or sub-category to another, that only a slight manipulation is necessary to achieve a substantial saving in duty liability.

There are several commodities (illustrations: metal containers, safes and strong boxes, roller bearing, zip fasteners) which attract concessional rates of duty or exemptions upto one or more specified level of production. Evasion in respect of goods pertaining to such exempted sectors is traceable to the case with which some of the limits prescribed can be observed ostensibly, while contravened in fact.

From certain studies attempted by the Committee's secretariat to correlate the recorded production of some manufacturers in the small sector with independent parameters like machinery installed, capital invested, labour employed, electricity consumed and raw materials used, it was clear that in several instances the accounts maintained did not reflect the true state of affairs and the production recorded was not sustainable on the basis of the parameters indicated. If the information furnished by these units could be accepted at face value, it would have to be concluded that many of them were not economically viable.

Tax producers and the manner of their administration have a vital bearing on evasion; the existing procedures lead to ineffective administration and make evasion a profitable proposition. Excise tariff structure is still geared to the system of physical control. Penal provisions have no doubt been made more stringent but in actual practice they are hardly ever applied at anywhere near their maximum level. They, therefore, do not provide the deterrent effect intended. If the fear of detection is lessened, so is the dread of what the punishment might be. In response to the Committee's questionnaire and in the course of evidence tendered before the Committee, several parties have indicated what in their view are the principal areas of evasion in relation to the nature of goods produced and the type of units producing them. There is surprising amount of unanimity in this regard. The commodities of which attention has been drawn by the largest number of witnesses are (1) Sugar (2) tea (3) paints and varnishes (4) sodium silicate (5) cosmetics and toilet preparations (6) plastics (7) paper (8) rayon or art silk fabrics (9) glass and glassware (10) chinaware and porcelainware (11) asbestos cement products (12) mosaic tiles (13) copper and copper alloys (14) internal combustion engines (15) electric motors (16) power driven pumps (17) electric batteries (18) electric lighting bulbs (19) wireless receiving sets (20) wires and cables (21) domestic electrical appliances (22) watches (23) steel furniture (24) metal containers (25) safes and strong boxes (26) bolts, nuts and screws (27) rubber products (28) electric fans (29) plywood and (30) soap.

In respect of commodities which are significantly produced in the small and to some extent medium sectors of the industry and of which exemptions are an important feature, it would seem likely that SRP had led to more evasion. The evasion itself, however, whether or not caused by SRP is

very extensive. In other commodities and sectors SRP has either made little difference to evasion or, in relation to specific categories of complicated tariff, has increased the possibility of evasion through mis-classification.

Several exercises have been attempted to estimate the extent of evasion. The method whereby evasion is related to the value of goods seized or duty evaded in relation thereto has not much relevance in the present context. So far as a comparison between revenue and production trends is concerned, there is a basic fallacy in this method of estimation, inasmuch as the past data regarding revenue collections or production and clearances are, in themselves, not of evasion. There are several other difficulties also in adopting this technique. While instituting a comparison between the statistics of production maintained by the Excise department and those recorded in the accounts prescribed by other agencies, it was realised that to the extent the relevant data regarding production were provided, basically by the producing units, the same could not be regarded as in fact independent. An attempt was made to locate some independent indicators from which rates of growth could be deducted and then applied to production. It was, however, found that apart from the fact that such an analysis could be applied only on a micro basis and would be relevant only for individual units, there were several other difficulties in pursuing this line of approach. In an estimation at the aggregate level based on the total availability of raw material, it was found that the same material was being used in different industries producing excisable and non-excisable goods in varying proportions. The technique generally followed in conducting input/output analysis involves the taking into account of the effect on production of changes in the final demand (made up of private and public consumption, investment, export and changes in stocks) the whole exercise being conducted within a framework of general equilibrium. There are, however, serious limitations in applying this method to the estimation of evasion.

Analysis based on registered offences shows that there are certain commodities like (1) matches (2) steel furniture (3) tea (4) copper and copper alloys (5) P. or P. medicines (6) Refrigerating and Air conditioning machinery and appliances (7) Iron and steel products (8) sodium silicate (9) electric motors (10) cotton fabrics, which are specially prone to evasion.

Evasion is considerable and in certain sectors pervasive. It has not, however, been possible to quantify the extent of evasion. It is not so much a statistically sustainable figure that matters as the wide range of evidence which points to the prevalence of evasion as a large scale phenomenon, and to the diversity and causes of its occurrence.

## 2-System of Selective Control

The large diversity of the tax base, the great complexity of the tax system and the wide prevalence of tax evasion are the three aspects of excise administration which stand out. From these follow certain important considerations which must be borne in mind in formulating new measures.

No single mould of procedure, including SRP, would suit alike all types of commodities or all forms or sizes of industrial units. Since the commodities produced (along with the units which produce them) fall into certain well defined categories, the tax system has to be designed to comprise

separate procedures of selective control tailored to meet the distinctive features of the different categories. No pattern of control for the small sector would be suitable if it entailed disproportionate complexity from the point of view of tax compliance or disproportionate cost from the point of view of tax enforcement. The complexity would have to be measured from the small assessee's ability to keep books of accounts and fulfil other requirements and the administrative control would have to be looked at in the perspective of the relatively small revenue yielded by this sector. Both these considerations point to a system much simpler than anything that might be envisaged for the medium and big sectors. Since exemptions complicate more than they help, rationalisation of exemptions is necessary. More than this, the tariff structure with its numerous and intricate ramifications needs to be simplified and streamlined. Further, the burden of procedure should be simplified wherever that can be done, without risk to revenue.

A system of selective control made up of distinct procedures adapted to different needs is recommended. These patterns of control should be respectively based on (1) accounts (2) production and (3) clearance. These may, for facility of reference, be designated (i) Accounts Based Control (ABC), Production Based Control (PBC). ABC would be liberalised version of SRP applicable to commodities (i) which are produced almost entirely in the organised sector (ii) in which the number of producing units is not unduly large (iii) of which the tariff structure is comparatively simple, and (iv) in which the system of maintenance of accounts and of auditing of such accounts is sufficiently detailed and thorough to justify reliance being placed on their correctness and authenticity. Twentynine commodities (illustrations: mineral oils, iron/steel products, cigarettes, fertilizers) which account for 60% of the total excise revenue estimated for 1973-74 have been identified for this purpose. For the remaining commodities generally, the pattern of control advocated in PBC, which while not deviating from the essence of SRP, incorporates certain modifications with a view to bringing about a more efficient operation of the tax system. It attempts this through closer association between the excise official and the production unit, and better communication between the Department and the assessee. The commodities covered wholly or partly by this pattern are 92 in number. They account for 38% of the total estimated revenue for 1973-74.

Some of the commodities covered by PBC are more prone than others to evasion. Moreover, the units pertaining to these commodities include a sizeable sector of small producers whose capacity to maintain records, submit returns or comply with various procedural and other requirements is extremely limited. For this sector the normal pattern of control would be CBC, corresponding to the old system of physical control including supervision over individual clearances but it is provided that units producing certain specified commodities in the small sector will be defined in terms of an annual turnover or value of production which does not exceed a pre-determined level of cut off point and such small units will be extended the option to operate under a new scheme of compounded levy, which renders the tax procedure simpler and the tax incidence lower than would be the case under the present system.

## Recommendations

Liberalised procedure for selected commodities: Accounts Based Control. In terms of the data for 1971-72, the number of units covered by Accounts Based Control would be 583. For units covered by the accounts based pattern of control (ABC), a much greater degree of reliance by the departments on the accounts which the units themselves keep for their own purposes is envisaged. This pattern also contemplates a reduction in the number of inspections and visits, elimination as far as possible of physical checks and substantial simplification of existing procedural formalities.

The accounts maintained by producers operating under ABC should ordinarily be accepted without any modification as satisfying the requirements of the Department. If, in any particular case, material particulars are found wanting in the accounts so maintained, the lacuna may be arranged to be filled and the accounts then accepted. In the ABC pattern the invoices or invoice-cum-despatch advices issued by the producers should be accepted as a valid excise document in lieu of the gate pass if they contain all the information required to be incorporated in a gate pass. The facility to pay duty by cheque and to make consolidated entries in the accounts should be available generally to producers under ABC category without any pre-conditions. If the facility is abused, it would be open to the competent authority to revoke it. The Indian Oil Corporation have been allowed to pay duty by 'Letter of Authority' in lieu of payment by cheque in respect of some of their units all over the country. A similar facility should be extended to other producers, if asked for, subject to such safeguards as may be considered necessary.

The present restriction that there should be no mutilations, over-writings, corrections and erasures in the gate pass is of no practical utility insofar as the category of commodities under ABC is concerned. Corrections of the kind mentioned should be permitted provided the entries concerned are neatly scored out and properly attested by a responsible officer of the factory. This relaxation, however, should not extend to date, time of despatch and description of goods. Where a gate pass is cancelled, there should be no restriction on a corresponding credit entry being made in the current account, subject to the Department being informed about the credit entry.

To avoid duplication of functions, Inspection Groups should be abolished and their functions distributed between Assessment Ranges and Audit. There should be a substantial reduction in the number of visits for inspection, audit, draw of samples, etc. And detailed half-yearly audit and a minimum number of physical checks or checks on production for ABC units would be adequate. Modified procedure for other commodities: Production Based Control (PBC) would apply to all commodities not covered by ABC subject to the reservation that this pattern will not apply to small units pertaining to certain specified commodities. For these small units, defined in terms of value of production, a simplified pattern of control has been recommended.

PBC would embrace 92 commodities. Of these, 52 commodities would be eligible for PBC only, whereas the remaining forty would consist of units which, above a particular turnover would come under PBC, but below that would be eligible for simplified procedure. PBC would comprise a sizeable medium sector, covering partnership firms and proprietary concerns. In 1971-72, the relevant commodities

accounted for 7335 units. The processes and techniques of production followed by them as also the range of goods produced show a very wide diversity. The tariff structure is complex. In regard to this category of commodities and units, there is an urgent need to tone up the standard of maintenance of accounts and of tax compliance, generally. It would be of the utmost importance in this sector to ensure much closer association than at present between the operation of the units and the supervision of the Department. What is primarily sought to be estimated in PBC is the hiatus between the actual operations of production and the department's knowledge of the nature and details of those operations. But it is not necessary to go back to old system of physical control with supervision over individual clearances and counter-signature of gate passes. Proper accounting of production is a matter of considerable importance. The earlier system under which separate RG1 and EB4 accounts were required to be maintained in respect of all goods manufactured and all such goods deposited in and removed from the store-room had several merits. It enabled production to be accounted for at a convenient stage which in most cases was a stage or two prior to the one at which goods could be, or were, normally marketed. It also permitted a reconciliation between the duty due and duty actually collected. In all cases in which it is not possible to establish a direct quantitative relationship between the raw material and the finished product such accounting should begin at a stage prior to the completion of manufacture when the goods reach a near finished condition in which they can be smuggled out with or without minor changes.

In all those lines of production in which a direct and uniform quantitative input-output relationship does not exist, there is no point in prescribing a raw material account or in attempting a verification of production on that basis.

A system of accounting based on batches of production would make for considerable simplification and assessment. This would also facilitate verification of stock and enable correlation with the accounts of the products. The feasibility of adopting this system and extending it generally to all commodities and sectors of producers should be considered. Production control will include many of the checks which were carried out by the jurisdictional staff, short of physical supervision over clearances and counter-signature. Among the features to be incorporated in this pattern of control are: authentication of all gate pass documents and accounts maintained by the assessee, supervision of production at various stages, and exercise of checks in respect of (i) packing and filling operation, (ii) goods in storage, (iii) raw materials used, (iv) receipt of duty paid goods, (v) accuracy of weighing machines, (vi) destruction of excisable goods, and (vii) clearance of goods for export.

**Coffee** Since the Coffee Board keeps detailed statistical information and maintains adequate control on coffee estates, the actual issue of curing licences to the coffee estates may be entrusted to the officers of the Coffee Board who may be declared as Central Excise Officers for this purpose. Similarly the issue of transport certificates can be entrusted to officers of the Coffee Board without in any way detracting from the responsibilities which attaches to the curers of coffee under the excise law, for their correct accounts.

Having regard to the fact that the quantities of coffee

permitted to be retained for domestic consumption are a very small part of the total quantity produced (about 1.1%) and revenue involved from the point of view of the Excise Department is negligible, the Department may consider the feasibility of adopting the same personal consumption allowance as is prescribed by the Coffee Board.

The control maintained by the Central Excise officers on the Coffee Board's pool warehouses can be considerably reduced. The stakes of the Coffee Board are heavier than routine visits to the warehouses. The Inspectors concerned and the superintendents should go through the warehouse records and condone the losses which are within their competence and which in their opinion deserve to be condoned. The warehouses should be asked to submit statements only in respect of the remaining losses which have to be referred to higher officers for orders. Central Excise officers should, however, retain full powers to visit the pool warehouses and carry out such checks as they consider necessary. Similarly, preventive control, including checking of consignments in transit should continue as at present. The definition of small scale industry adopted in 1966, for purposes of industrial policy, which covers all industrial units with a capital investment of not more than Rs.7.5 lakhs is inappropriate for central excising purposes. The criteria of installed capacity and number of workers employed also present variables which can lead to several distortions. For excisable commodities which have a relatively large number of small producers and in which the composition of the industry or the duty structure or other relevant considerations do not militate against such classification, the duty paying units should be classified on the basis of their value of production. An appropriate cut off point can be fixed either for all commodities or individually for each commodity or group of commodities. All producing units below the cut-off point should be considered small and brought under the system of simplified procedure. On the basis of the statistical data available, it would be appropriate to adopt a single cut-off stage of Rs. 5 lakhs in terms of value of production in respect of all the commodities identified for the purpose instead of a separate cut-off level for each commodity or a group of commodities.

The revenue of simplified procedure postulates, among other things, that the duty liability of a producer covered by the scheme will be related to the average value or quantum of duty paid clearances during the three preceding financial years, or the last year, whichever is higher. It will be worked out in terms of the existing tariff structure (including duty exemptions where admissible and to the extent admissible) and also on the basis of the lower effective rate of duty notified by Government in replacement of the existing schemes of duty exemptions applicable to the small sector. The lower of the two quanta so worked out would be treated as his prospective annual liability for the succeeding three years. It is contemplated that all schemes of duty exemptions will cease to operate after the promulgation of the simplified procedure and the duty liability fixed will not be altered unless there is a change in the effective duty incidence applicable to the commodity concerned.

The case of each unit working under the scheme of simplified control would be reviewed before commencement of the next three-year block. If, on the basis of its performance for the three years bloc for which a unit has been



working under the simplified procedure, the unit is still eligible for continuance under the scheme of simplified control, its duty liability for the next three-year bloc will be fixed by applying to clearances the effective rate of duty applicable.

Some of the new units are likely to be placed at a disadvantage vis-à-vis the existing units. This is because the prospective duty liability of the existing units would be determined after taking into account the prevailing schemes of duty exemptions. Even the lower effective rate of duty applicable to such units might not serve fully to neutralise the effect of the withdrawal of exemptions. The intention, however, is that the new units should not be placed at a disadvantage. The purpose in view would be served if new units, producing commodities subject to various types of exemption, are allowed an ad hoc duty exemption upto clearances of Rs. one lakh (value) for the purpose of their duty liability in the first and subsequent years, provided such units remained eligible for the simplified procedure.

Excisable goods which are totally exempted from duty should also be covered by the scheme of simplified procedure irrespective of the value of goods produced or cleared, even though the duty liability would continue to be nil. Bringing them within the purview of simplified procedure would serve useful statistical and administrative purposes.

The simplified scheme is expected to provide an incentive for growth, reduce the area of friction between the Department and the assessee, and bring about a diminution of the administrative burden. It will be necessary to eliminate all procedural formalities for this class of producers other than those connected with or having a bearing on determination of their continued eligibility. This pattern of control will also release resources in the form of personnel for being utilised to better advantage and far more effective control on the remaining sectors, and units which have a much higher revenue potential.

The working of the simplified procedure as a whole should be reviewed well before the close of the second three year bloc. Steps for such a review should be initiated not later than 5 years from the introduction of the Simplified Procedure.

#### Clearance Based Control

As Simplified Procedure cannot be introduced on a compulsory basis, the form of control considered appropriate for such units as do not opt for Simplified Procedure, is CBC. It is after taking into account the likelihood of considerable administrative difficulties in placing under CBC a large number of small units with a low revenue potential, that an alternative in the form of Simplified Procedure has been recommended for them in the hope that all eligible units would readily opt for it.

The prevalence of evasion in the CBC sector constitutes sufficient jurisdiction for a forum of control, which as compared with ABC and PBC, is farthest from the existing pattern of SRP. Broadly the CBC pattern would correspond to the old physical control, including physical supervision of each individual clearance and counter signature of the gate pass. As CBC units would co-exist with units operating under the Simplified Procedure, and in many cases may be in the same area, there would be a risk of clandestine removal of goods produced by the CBC units without compliance with the procedural formalities required of them in the garb of

goods produced by units availing of the Simplified Procedure. It would accordingly be necessary to provide for surveillance on such units.

#### Classification and Valuation

There is widespread complaint about delays in approval of classification lists. These cause considerable inconvenience and uncertainty. Provisional assessment prolongs the uncertainty in respect of tax liability and, depending on how this is finally fixed, involves meanwhile the possibility of the consumer being overcharged or the producer having to pay out of his own pocket. There is need for considerable improvement in the present position with regard to both approval of classification lists and settlement of classification disputes. The classification list should be required to be approved by the proper officer within the stipulated period. There is no justification for keeping provisional approval of a classification list open for an indefinite length of time. In certain cases, approval of classification lists may be subject to delays in circumstances which are beyond the control of the officer concerned. The Government can provide for such contingencies by prescribing two or more stipulated periods for two or more sets of circumstances. The stipulated period should ordinarily be a matter of days and in no case more than three months.

If the classification list is not approved within the period stipulated, the assessee should be free to assume that the classification indicated by him is ipso facto approved and all clearances taken by him on the basis of that classification will cease to be treated as provisional. If the classification list is approved within the stipulated period, all provisional clearances already taken will be finalised on the basis of the approved list.

If an assessee chooses to dispute the classification approved by the proper officer, he may be given the option to pay duty either under protest on the basis of the classification approved by the proper officer or provisionally on the basis of classification indicated by him in the classification list. If he fails to prefer an appeal within the stipulated period, the facility of provisional assessment will cease to operate and all clearances already taken on the basis of provisional assessment will be finalised on the basis of the classification approved by the proper officer. Likewise, the facility of provisional assessment will cease to operate as soon as he has filed an appeal.

The practice in regard to the present provisions of law relating to recovery of duties or charges short levied is for officers to raise retrospective demands for duty even in cases where the proper officer has approved the classification list and no mis-statement on the part of the owner of the goods is revealed. It is, however, necessary to make a distinction between a case where the short levy is primarily due to some deliberate commission or omission on the part of the assessee and one in which the assessee is not primarily or directly responsible. In the former case the amount should be recoverable without time limit of the commission or omission which amounts to a criminal offence and where no such offence is involved, subject to a time limit prescribed by Government. In the latter case, it would be untenable to call upon the assessee to bear a further duty burden, as a result of detection of error, availability of more facts, clarification from above or a formal decision by a higher authority, in

respect of goods he has already cleared, on the basis of duty chargeable, according to the classification list duly approved by the Department, after examination. The tax administration has a right to change the classification in accordance with normal procedure, but where this results in enhancing an approved level of duty, it should affect only the future clearances of the assessee. The enhancement should not

The main recommendations made in respect of classification would apply to valuation also. In particular, unless a short levy results from undervaluation of goods directly and primarily attributable to the assessee, it should not be open to the Department to raise against him a retrospective liability for such short levy.

### Tariff and Exemption

There has been a continual modification of the tariff structure with a view to achieving certain objectives. Partly in connection with some of these objectives and partly for other reasons, it has been considered necessary to introduce recurring degrees of progression in the tariff. It seems clear that, in this process, the maxims of certainty, convenience and economy which are essential for sound tax administration have been greatly impaired.

Over the years, the tariff has been extended to a large number of commodities with low revenue yield. Since these commodities are produced largely by the small sector, the new levies have posed numerous administrative difficulties. In many cases the problems raised probably outweigh the revenue.

The extension of excise duties to commodities with a yield of less than Rs.50 lakhs a year is not a worthwhile proposition. All existing levies with a yield of less than Rs.50 lakhs should be reviewed.

Tariff definitions and descriptions have tended to become increasingly complex and difficult to interpret. This is also true of notifications in which the exemptions are spelt out. For a tax like central excise, which covers so wide a range and so many classes of producers, the emphasis should be not on sophisticated terminology, but on descriptions and terms which reflect the commercial or trade identity of the goods produced. Having regard to the excise tax structure as a whole as well as the need for the revenue elasticity of the tax system, advalorem levies should be recognised to be a feature that has come to stay. It would be unrealistic to contemplate a reversal of the process.

Exemptions should be reviewed administratively with a view to simplification and rationalisation. No exemptions should be retained unless (i) the exemption demonstrably promotes a well defined purpose; (ii) the amount of revenue foregone can be justified in relation to the purpose; (iii) the exemption is not likely to result in significant distortions in the structure of production; and (iv) it can be easily implemented in an administrative sense.

Exemptions related to value of either production or clearances should be based not on the producer's performance in the financial year which is current but on that of the financial year which has preceded.

Several exemptions relating to end use are of doubtful utility and in any case necessitate long and protracted post-facto verification. All such exemptions should be reviewed and drastically curtailed unless there are very strong reasons

to the contrary.

Between small units which produce certain commodities like soap, footwear, and watches, and some of the biggest units in the organised sector of the same industries, arrangements are sometimes made for the production of the small unit to be marketed by the big unit under its own name. The duty paid is the concessional rate which, by virtue of the relevant exemption, is applicable to the small unit. From the point of view of excise duty and exemption the position seems to require review. The relevant notifications should be amended so as to ensure that the exemptions do not apply to production marketed under arrangements such as those described.

### Licences and Bonds

The purpose underlying grant of licences is to regulate an activity rather than the scale of that activity. Accordingly the existing rates of licence fee which are based on such factors as nature of goods produced, amount of duty liability, scale of production over a period of time, character of operations undertaken etc., should be converted into a single uniform rate. The rate of licence fee fixed should not be so low as to encourage indiscriminate requests for licensing or default in renewal.

The Central Government is empowered to grant exemption from the obligation to take out a licence in respect of goods which are themselves exempted from duty, either unconditionally or on certain conditions. Such exemptions have been granted, but the result is unsatisfactory, because the units in the exempted sector are often convenient means of evading duty. Units exempted from licensing control should be required to furnish periodically to the Department a simple declaration indicating the location of their premises, the excisable goods produced by them and such other broad particulars as may be appropriate.

To avoid delays and inconvenience, licence granted to all manufacturers covered by the scheme of Simplified Procedure should be valid for the full period of three years (i) for which liability is fixed in their cases, and (ii) for the remaining manufacturers also, the facility of issue and renewal of a licence for yearly periods, not exceeding 3 years at a time, should be available on request without abatement of the total licence fee payable.

The obligation to take out a licence for the operations of production or manufacture of excisable goods and for the wholesale purchase or sale or storage of such goods flows from section 6 of the Central Excises and Salt Act, which also provides for punishment for contravention of that section. In view of this, a person operating without a licence cannot be dealt with through departmental adjudication which is restricted to cases where the Act itself does not provide for specific punishments. The law may be suitably amended so as to enable disposal of such cases by departmental adjudications.

The fee for late submission of applications may be suitably enhanced by way of further deterrence. The powers to issue and renew licences relating to all manufactured goods should vest in the officer in charge of the primary formation or range in whose jurisdiction the producing unit operates.

All bonds executed by manufacturers, industrial users,

warehouse keepers etc who are licenced by the Department may be consolidated into a single general bond (with surety or security) in which the obligations stipulated in the existing bonds are spelt out generally or specifically. The amount of the bond and the security can be fixed by the proper officer on the basis of suitable guidelines provided by the Department.

The verification of sureties, wherever this is relevant, should also follow the same frequency as has been recommended for issue and renewal of licences.

#### Other Procedural Matters

Where an assessee is producing more than one excisable commodity, it should be sufficient if he maintains a single account current for all such commodities, with the particulars entered separately under each minor head of account. A copy of this account should accompany each R.T.12 return submitted by the assessee. In situations where the procedure of a number of excisable goods is controlled by more than one field formation and the maintenance of a number of accounts becomes inevitable, it should be provided that the assessee can, in the event of an insufficient balance in one account, transfer an appropriate amount from another account which has enough balance to permit such transfer. This should be coupled with the requirement that suitable entries should be promptly made in the two accounts.

#### Payment By Cheques

The work of collection of duty by cheques should no longer be confined to the headquarters of collectorates.

As a first step towards decentralisation the cheques should be permitted to be drawn on approved banks located at Divisional headquarters.

The extension of this facility to different divisional headquarters should be synchronised with the provision of suitable staff working under the overall supervision of the chief accounts officer stationed at the headquarters of the Collector. Departmental treasuries should be opened at appropriate centres such as some of the State headquarters.

So far as the bouncing of cheques is concerned, the remedies available under the ordinary law against such assessees may be freely invoked, in addition to deterrent action in the form of withdrawal on a permanent basis or stipulated periods, of the facility to pay duty by cheques.

#### Raw Material Account

There is relatively significant area of industrial production in which a useful correlation can be established between raw material and finished goods. It happens, however, that no authoritative studies have been carried out so far, either for identifying the essential raw materials concerned or for fixing proper norms of consumption or input-output ratios. These deficiencies are capable of being rectified by induction into the organisation of personnel who are technically qualified and by initiating detailed and systematic studies for identified industries.

It is necessary to build up the necessary expertise and to use the existing powers regarding determination of normal production and assessments, based on best judgement to

greater effect in all cases in which shortfalls are not accounted for to the satisfaction of the proper officer.

#### Multi-point Levies—Duty Reliefs

The multi-point character of excise levies has been criticised on the ground of undue cumulative incidence on the final product and the resultant effect on prices. Having decided which excisable materials or components have to be exempted from duty, and to what extent, when they are used in the manufacture of other excisable goods, Government should quantify the extent of exemption in concrete terms and notify that where such finished excisable goods are produced out of duty paid components, the effective rate of duty for such goods will be rebated to that extent. Where duty exemption is related to the raw material and the quantity of such material in relation to a unit of the finished product differs from factory to factory, it will be necessary to work out and notify an average quantum of duty on the basis of the chemical composition of the final product or with reference to other relevant data. Where duty rates are ad valorem the extent of exemption can be worked out on the basis of the average price prevailing over a point of time for the raw material/component used and then expressed as a proportion or percentage of the average price of the finished product. "Chapter X Procedure" should be confined to the purpose intended, namely, remission of duty leviable on goods used for special industrial purposes.

#### Exports

Where detailed pre-shipment inspection is carried out on a compulsory basis as in the case of textiles by the Textile Committee and is sufficiently comprehensive it should be possible for the excise or customs authorities to relax the scale or intensity of checks carried out by them.

Supervision charges should not be levied since examination and sealing are jobs performed in the interest of Government.

The existing requirements of prior attestation of export documents may be waived, it being provided instead that after removal of goods, such documents can be presented to the concerned excise authority within a stipulated period for attestation and transmission to the customs.

#### Refunds

The department should stipulate a period within which a claim for refund must be settled. It is suggested that the period should be three months. The period should count from the date on which full information relevant to the claim has been furnished by the claimant.

For claims relating to rebate of duty in respect of goods exported, the stipulated period should count from the date of shipment of goods and should be appreciably less than the period stipulated in other case. If a claim for refund is not settled within the stipulated period, and delay in settlement cannot be attributed to circumstances beyond the control of the proper officer, the Department should pay interest to the claimant. The interest should be for the entire period between the expiry of the stipulated period and the date of sanction, and at such rate as the Government may decide, on

the same lines as is done under the Income Tax Act, 1961.

The staff under the Chief Accounts Officer should be adequately strengthened so that he is able to carry out the statutory post-audit of refund claims expeditiously.

### Duty Paid Godowns

The practice of allowing clearances to duty paid godowns located in the factory premises or adjoining premises or in close proximity to factory premises should be discouraged to the maximum extent possible. It should be clearly stipulated that, for such premises to be approved, they should be located at a reasonable distance from the place of production.

Where, for any compelling reasons, duty paid godowns have to be approved within two kilometres of the producing units or such other reasonable distance as may be prescribed, the law should provide that the onus of proving that excisable goods found in such godowns are in fact duty paid shall lie on the assessee.

It would be more appropriate if bonds for movement of non-duty paid goods are executed only by the consignors.

### Conclusion

In the process of replacing uniformity by selectivity, the new system seeks to lessen the burden of procedure in sectors where that is most possible, and, correspondingly, release manpower for re-deployment in areas where it is most needed. The lightening of the burden on the Department and, even more importantly, on the industry is attempted in two entirely different contexts in two entirely different ways. ABC, which covers as few as 600 units but as much as 60% of the total revenue, is governed by the liberalised procedure and entails the barest minimum of formalities. CBC — of which the alternative of compounded levy is what is relevant — covers as many as 14,000 units all in the small sector but contributes as little as 0.6% of the total estimated revenue. Compounded levy will be administered by the Simplified Procedure which not only reduces documentation and supervision to a minimum, but also provides three-yearly intervals during which the assessment is more or less undisturbed and the administration relatively uninvolved. There are a number of areas, technical, supervisory and preventive, besides the whole range of industries coming under PBC to which the trained staff released from the ABC and CBC groups could be usefully assigned. PBC which covers about 7,500 units contributing 38% of the estimated revenue will be under a modified procedure. Selective controls hold out possibilities of re-organisation through rational re-deployment of manpower.

The system recommended is in a sense indivisible. This applies not only to the three patterns which are its main components and which in many ways are inter-dependent, not least in aspects of organisation and administration. The mutual dependence, and therefore the composite character of the principal recommendations, will be apparent in the treatment of the subject of exemption as also of the scheme of compounded levy. This inter-relationship may also be discerned in the concept of a lower set of duties for small units producing certain commodities, such duties occupying an immediate position between the higher or normal duties

at one end and, in specified cases, total exemption from duty at the other.

The particular scheme of compounded levy put forward as an alternative to CBC is regarded only as a first step towards the development of a simple and rational system of excise levy for the small sector. This again is regarded as a transitional step towards further simplification of the relevant tariff items and, hopefully, of the tariff structure as a whole.

The various steps proposed as part of the system of selective control are not only desirable in themselves but, in the longer perspective, are such as can lead towards much greater rationalisation and simplification of the structure of excise duty.

## VOLUME II (ORGANISATION)

### GENERAL

#### Introductory

The first volume dealt with various aspects relevant to procedure and recommended a system of selective control. Procedure is, however, inter-related to organisation and dependent on it for achieving the intended objectives. Organisation for its part implies structure, inter-connection between various parts of the structure, and the manner of operation of the parts as well as of the structure as a whole. In very general terms the present volume deals with these matters. More specifically it is relatable to the third and to some extent the fourth of the Committee's terms of reference.

#### Administrative set-up

The organisation responsible for collecting excise revenues has not only expanded over the years but has had to be attuned to the new procedures. Until 1938 excise duties were administered largely by the Provincial Governments and the pattern of control differed from province to province. The central excise department came into existence as an appendage of the Salt Department in 1938.

The collectorate with its divisions, circles and ranges, remains the basic administrative unit at the field level of the Central Excise Department. With the passage of time the functions of the department have greatly widened in scope and complexity. With the operation of tax being extended to a progressively increasing number of products the field administration and the pattern of control underwent changes.

The Central Board of Revenue assumed in 1938 direct responsibility for levy and collection of Central Excise duties. In 1963 the Board was replaced by two separate Boards, one for Direct Taxes and the other for Excise and Customs. In the administration of central excise duties the Central Board of Excise and Customs is assisted by several subsidiary organisations. Moving the Central Board of Revenue Bill in 1924 for the consideration of the Council of States, the Finance Secretary observed:

"Clearly, if this direct administration by the Central Government is to be possible we want an appropriate machinery and the machinery cannot be the impersonal machinery of the Government of India Secretariat. We want

the Heads of this Department to be in close personal contact with their work and with their officers. We want them to be touring officers of the country. We want them to interview frequently the important chambers of commerce and other representatives of the tax payers. The efficient administration of a revenue department is clearly not solely a question of collecting a large amount of revenue, it implies that the revenue should be collected with minimum of inconvenience to the public and also that the public should have opportunities of representing and discussing their grievances".

The strength of the Board has varied from time to time. It was invested with secretariat status in 1949.

In its forty-ninth report (1958-59) the Estimates Committee of Parliament expressed the view that in combining in the same body the secretarial functions of the Department of Revenue and the administrative functions of the Central Board of Revenue as the Chief Revenue Executive, the purpose of the Central Board of Revenue Act had been largely defeated. So far as the functioning of the Central Board of Excise and Customs is concerned the principal point made by the industry is that often there are inordinate delays even in important matters, in obtaining Board's orders or rulings on references made to it by the Collectors.

The dual character of the Board has also been commented upon by some witnesses.

It has been represented by several individuals and staff associations that there should be a separate Board for the central excise department.

The Directorate of Inspection (Customs and Central Excise) is an attached office of the Board. It performs several functions related to both the excise and customs. One of its principal functions is inspection of which the main object is to make a study of the working of the departmental machinery throughout the country with a view to formulate proposals for improvement of efficiency. The Directorate operates through five regional units in addition to the headquarters organisations located in Delhi.

The Central Excise Reorganisation Committee had expressed the opinion that the Directorate should concern itself largely with investigation of major revenue problems and procedures, and that it should not repeat the routine inspection of subordinate formations which should be sole responsibility of the field officers.

The present Directorate of Training came into existence in 1969. The Central Training Institute at Delhi, and the three regional institutes at Calcutta, Madras and Bombay were established on 1.9.1969, 18.12.1970, 15.12.1971 and 8.6.1971 respectively.

The total number of officers trained at the Central Training Institute and the Regional Training Institutes since their inception upto September 1973 was 821.

The difficulties experienced by the Directorate in implementing the present training schemes in expanding the scope of their operations are said to be (i) lack of adequate accommodation for the institutes as well as the hostels; (ii) inability of collectors to spare officers for training on account of lack of training reserves; (iii) inadequacy of training skill and knowledge on the part of officers employed in the Directorate of Training and (iv) paucity of staff.

It is recognised that the present training facilities are grossly inadequate. Officers are reportedly reluctant to go for training because training amounts in most cases to main-

taining a double establishment which they can ill afford to do

The Directorate of Revenue Intelligence was established in 1957. Sometime ago its administration was transferred to the Department of Personnel.

The Director of Revenue Intelligence stated that while the charter of functions of the Directorate included anti-smuggling work related to Central Excise, in actual practice the Directorate has not been able to devote much attention to this aspect. It appears that in respect of Central Excise, there is little or no co-ordination of intelligence and investigation at the all India level.

An embryonic tax research unit for Customs and Excise came into existence in 1960. It expanded subsequently into a Directorate of Tax Research. It performs several functions.

The statistics and intelligence branch functions as a subordinate office of the Central Board of Excise and Customs.

Apart from processing and interpreting monthly, quarterly and annual returns it also undertakes ad hoc studies assigned to it by the Board. It has been represented that compilation of statistics by the Branch and issue of various publications is subject to long delays.

The Central Revenues Control Laboratory and regional laboratories are essentially chemical laboratories staffed by chemists and chemical examiners. Apart from testing and testing of samples the laboratories exercise indirect technical control on certain classes of manufacturers.

It has been represented that laboratories cannot undertake many of the physical tests. They are ill-equipped even for carrying out some of the chemical tests in the sense that they lack the latest scientific equipment and literature. They are reportedly under-staffed. In consequence serious delays occur in analysis.

It has been stated that, in several cases, the results of analysis reported by institution other than control laboratories or results as arrived at on retest by the Chief Chemist himself are materially different from the results based on first test.

Regional Advisory Committee came into existence in 1957. A customs and central excise Advisory Council was established in 1959. It is recognised that they both serve a useful purpose. About the Regional Advisory Committees, several interests have urged that their constitution and functioning should be reorganised.

In size of jurisdiction, amount of revenue, variety of duty paying units, and number of subordinate field formations, the present collectorate charges show very wide divergences.

The machinery of administration is based on a 'Range' which is the lowest field formation. Over the years the constitution and functioning of the Range underwent several changes. Although its strength and status increased it suffered a diminution of effective responsibility—that is to say, pin-pointed responsibility for control over specific units—as well as a denudation of its original functions.

The present field organisation of the Department is based on a pattern which comprises, in concentric order, the collectorate and (within it) the Division and the Range with certain ancillary formations like Inspection Groups, Preventive parties and the Internal Audit Organisation operating from different levels.

The collector is the Chief administrative authority of the collectorate. He exercises the powers of a Head of Department and performs several other functions.

The Deputy Collector exercises statutory powers in the matter of adjudication and composition of offences in addition to performing several other functions in the administrative and technical spheres.

The Assistant Collector is responsible for the administration and enforcement of Central Excise Gold Control and Customs Laws in his jurisdiction. Under SRP he is the proper officer for approval of classification and price lists.

The Chief Accounts Officer acts as a financial adviser to the collector and performs all functions relating to preparation of classified revenue accounts and their reconciliation with figures booked by the treasuries and the Accountant General.

The internal audit organisation operates from the collectorate level and is headed by an Asstt. Collector (Audit) who has a number of audit parties working under him. Each such party consists of auditors drawn both from the executive cadre of Inspections and the Ministerial cadre of Upper Division Clerks.

The preventive organisation of the Department operates from both the Divisional and the Collectorate levels. In collectorates where there are a number of divisions located at the collectorate headquarters itself, the Divisional Preventive Organisation does not function as a separate unit.

It has been urged that the administrative machinery of the department has not responded adequately to the changing needs of the situation. It is claimed, for example, that while the manufacturing techniques followed by the industry have become increasingly sophisticated, the organisation continues to operate on the same outmoded pattern as before. The industry also complains that in certain areas of vital importance to them, the authority for taking decisions has tended to move upwards. The consensus of opinion is that the present delimitation of collectorate charges is hardly conducive to efficiency.

Ministerial associations have made the point that the internal audit organisation should be manned exclusively by ministerial officers.

The bulk of evidence tendered suggested that Divisional charges are also very heavy and Assistant Collectors have been saddled with too many responsibilities.

The constitution, staffing pattern, functions and responsibilities of assessment ranges have also been criticised. On the working of Inspection Groups, the principal points made are (i) their duties are not clearly defined; (ii) some of the functions included are more appropriately discharged by other formations; and (iii) there are Inspection Groups on the one hand and Assessment Ranges and Internal Audit parties on the other.

Departmental witnesses have laid considerable emphasis on (i) proper selection of preventive staff with adequate incentives provided for them in consideration of the hazardous nature of duties performed, (ii) collection of intelligence, which aspect according to some witnesses has not received adequate attention in the Central Excise Department, (iii) liberalisation of present rules and instructions relating to rewards and expenditure from secret service funds, and (iv) provision of adequate transport and other facilities for detection and follow up of cases of unlawful removal.

In regard to agency functions, it has been generally observed that these functions have been performed satisfactorily by Excise officers.

## Personnel

Originally Customs and Central Excise constituted two distinct services. In 1959 they were merged at the class I level into a single Indian Customs and Central Excise service. Several witnesses have contended that there are several points of dissimilarity between the two services and that the integration itself lacked a valid base of justification. The feeling has been expressed that, even though the excise duties contribute by far the largest revenue to the central exchequer, the department as such is but poorly represented in the higher echelons, including the Board. Outside class I, the service cadres in the Central Excise Department are either ministerial or executive.

The principal grievance of the ministerial staff is that for purposes of promotion they have far too many stages to go through.

The sanctioned strength of posts in the UDC grade is higher than the number of posts sanctioned in the grade of LDCs. Since recruitment to the former is based entirely on promotion from the grade of LDCs this has created a serious administrative difficulty. In the Gazetted ministerial cadre, the principal grievance relates to the status of the Chief Accounts Officer.

It has been suggested that a Directorate of Audit should be created.

It has been urged that the educational qualification prescribed for direct recruitment to the grade of Inspector and the mode of recruitment are both inadequate.

One obstacle in the way of initiating a process of direct recruitment of class II level appears to be the stagnation which has been prevailing for several years in the grade of Inspectors. The extent of stagnation varies from collectorate to collectorate. The Third Pay Commission has compared the promotion prospects of Inspectors in the Central Excise Department, Inspectors in Income Tax and Examiners and Preventive officers in the Customs Department.

There is complete uniformity on the need for better training in order to achieve greater efficiency.

With the exception of class I posts and of Chief Accounts Officer, all appointments and promotions in a Collectorate are based on the Collectorate itself. Similarly transfers of staff in these grades are confined to areas within the collectorate except when class II officers are promoted to class I.

It has been complained that departmental promotion committees do not meet at adequate intervals.

The services feel greatly concerned about the frequency of transfers in the Department and about residential accommodation.

## Adjudication

So far as powers of adjudication vested in central excise officers other than collectors are concerned, a number of points have been made. It has been stated that a distinction based on value of goods liable to confiscation is hardly appropriate in the context of SRP under which illegal removals are detected largely on the basis of scrutiny of accounts without involving physical seizure of goods as such. The other point made is that the powers presently conferred on Superintendents, Assistant Collectors and Deputy Collectors

in the matter of confiscation of goods and imposition of penalties are too low and need to be suitably enhanced; also that there is no justification for excluding jurisdictional superintendents from the exercise of those powers.

Several interests have welcomed the institution of Appellate Collectors. One suggestion made is that there should be a separate judicial cadre of Appellate Collectors.

It has also been represented that appeals relating to classification and valuation should revert to the Collector, who should be put back in the picture in relation to what perhaps is the most important aspect of Excise in any Collectorate.

On the subject of revision applications, apart from delays the principal point made is that the present arrangements do not inspire the requisite degree of confidence in the industry. It has been strongly urged that the present arrangements should be replaced by an administrative tribunal.

It has been stated that inasmuch as the existing provisions relating to review confer the necessary powers only on the Central Government and review is confined to decisions which are not more than one year old, they are restrictive in scope.

#### Implications of New Patterns

The changes necessitated in the administrative structure are governed by certain important considerations. To illustrate: the extensiveness of the tax base calls for decentralisation, the growing complexity of the tax system calls for increased specialisation; the prevalence of tax evasion at different points calls for effective control at those points; and the new approach of selectivity calls for organisational diversification. The administrative alterations will have to be so designed as to fit in not only with present needs but future trends so far as they can be projected.

The expenditure incurred on administration should not be out of relation to the yield expected from the units covered by a particular pattern of controls.

The tax personnel can best perform their duty if responsibilities are clearly defined and both service and working conditions are such as to promote job satisfaction as well as individual contentment welfare.

Routine functions should be performed from as near the assessee as possible.

Assessment functions must rest with a jurisdictional field formation whose level will depend upon the particular type of control.

The proposals made envisage a departure from the present administrative pattern under which there is a uniform type of control, emanating from the same level, for all duty paying clients regardless of their distinctive characteristics.

It is necessary to ensure independence of audit. Control of audit should rest in a body higher than the field organisation. It should be answerable to a level higher than the collectors. The need for close relationship between audit and accounts should not be lost sight of.

Induction of specially qualified accountants in audit is necessary and audit parties would need to specialise in groups of commodities.

It is desirable to constitute a separate Audit and Accounts Division within the department.

There is need for reviewing preventive activity as it exists today. Preventive wing must have its own system of intel-

ligence and information.

At the all India level the creation of an appropriate machinery for intelligence and investigation is envisaged.

Careful selection and adhoc training are necessary in order to fit the existing staff to some of the new tasks of the system of selective control.

Personnel management, career development and welfare measures would have to be given much more attention.

No legal difficulties are perceived in giving effect to the new patterns recommended for different excises and classes of manufacturers.

As a general principal, the pattern applicable to a manufacturer who produces on the same premises goods covered by two or more patterns should be the patterns which govern the principal excisable commodity produced by him.

For clients under ABC, the type and level of control has to be of a higher order with special emphasis on technical and audit expertise.

It would be appropriate if the level of responsibility for the administration of ABC units is equated with that of the collector. For administering ABC units a knowledge of commercial accounts and modern accounting techniques would be necessary. The need for expertise in the relevant technological fields is also obvious. Necessary specialisation should be provided by drafting experts from outside and imparting to the departmental officers the requisite technological orientation.

Officers concerned with administration of PBC units should possess adequate knowledge of manufacturing processes. They should also be familiar with accounting procedures. Individual's pinpointed responsibility will have to be insisted upon in respect of PBC if efficiency is to be secured in the operation of the pattern as a whole.

Accounting of production for the purpose of determining duty liability should start from a stage prior to completion of manufacture.

A broad indication of the proportion which finished excisable goods bear to the principal raw material used, important stages in the process of manufacture and the nature and extent of control intended to be exercised at different stages should be outlined by the department.

Both an adequate mechanism and proper procedures would need to be devised to work out the value of production of units opting for simplified procedure and to determine their eligibility for the scheme. Separate rules for units which have not been in production for a full period of three years should be framed.

A single lower effective rate of duty applicable to the entitled sector of each relevant commodity should be fixed and notified by Government. Once the duty liability of units under Simplified Procedure is fixed, a mechanism would need to be established (i) for realising duty in monthly instalments, (ii) for fixing duty liability in case of change, and (iii) for undertaking a review for the next three year bloc.

The administration has to take note of the possibility that some units may deliberately avoid simplified procedure in the hope of evading (under CBC) even the small amount of duty due. There is also the possibility that units under PBC may try to pass off their production as pertaining to CBC unit which attracts a low rate of duty.

Ranges would have to be compact and superintendents



would have to be entrusted with suitable powers in matters of classification and valuation appropriate to the type of control for which they would have responsibility.

It would be desirable to devise administrative measure so that some of the relevant powers and responsibilities of the Board are in effect decentralised and brought into a closer and more appropriate relationship with the assessee and his problems.

If the Board is to do justice to its responsibilities, some of its executive functions have to be less concentrated at one place—the capital of the country—than at present.

Certain posts of Zonal Commissioners should be created with the status equivalent to that of Members of the Board. They should function as extended arms of the Board in the performance of its duties as the Chief Revenue Authority in areas which may be called Zones—each Zone consisting of a certain number of collectorate headed by the Zonal Commissioner.

### Recommendations

**Headquarters Level:** Issues concerning Central Board and Directorates.

There is a certain amount of force in some of the arguments put forward in support of the proposition that customs and Excise should be separated and the present organisation bifurcated all along the line with two well defined and distinct administrations, but the situation does not call for the kind of drastic solution which has been proposed. The organisational reforms proposed are expected to go a long way in streamlining the administrative machinery and in mitigating some of the current grievances. It is not necessary to reconstitute the Board as an independent executive authority dissociated from formulation of tax policy. There should be delegation of adequate financial and administrative powers to the Board.

There should be some induction of technical officers drawn from the department at the lower ranks of the Board's Secretariat.

Having regard to the importance which personnel management has come to assume in modern administration the Board should have a whole-time Member (Personnel) dealing with policies relating to recruitment, training, evaluation of norms and performance standards, promotions and general welfare of the staff and other allied matters having a bearing generally on personnel management. Functions of Chief Vigilance Officer should also vest in Member (Personnel). In the arrangement of Board's functions, it would be appropriate that Member (Central Excise) should deal with policy matters of tariff concerning his subjects and Member (Customs); similarly with matters concerning his coordination of tariff matters within the Board should be the function of the Chairman. The Directorate of Inspection (Customs and Central Excise) should be reconstituted into a Directorate of Investigation and Intelligence. The Regional offices of the Directorate of Inspection should be merged in the new Zonal offices.

The Regional Training Institutes should be placed under the administrative control of the Zonal Commissioner, though technical supervision over their working would continue to be provided by the Directorate of Training.

### Zonal Level New Office of Commissioner

The objectives underlying the creation of the Central Board of Revenue as enunciated in the statement of the Finance Secretary at the time of the introduction of the Central Board of Revenue Bill, 1924, postulated among other things a close personal contact between the members of the Board and the representatives of the tax payer through constant touring and frequent consultations. These objects are more relevant today than they were in 1924.

The functions and responsibilities of the Board have increased substantially. Members find themselves to stay on at headquarters for performance of their numerous duties. They are consequently unable to devote adequate time to visit important areas. There is avoidable concentration of authority at the level of the Board. Apart from delays these factors lead to a lack of adequate appreciation of regional and local problems and absence of effective supervision over the working of the collectorates.

Some of the executive functions and responsibilities of the Board may, with great advantage, be entrusted to officers exercising the authority of the Board in well-defined territorial zones. These officers would ex-officio have the status of Members of the Board without secretarial functions. For this purpose the country may be divided into five zones.

All functions of the Board relating to (i) Tariff (ii) Procedures and (iii) Administration, except for policy formulation, relating to these matters and their coordination at the All India level, should be performed by the Zonal Commissioners within their respective jurisdictions.

Zonal Commissioners should be empowered to take decisions on all appropriate matters concerning the central excises and Salt Act and Rules such as do not necessarily fall within the exclusive jurisdiction of the Board.

Zonal Commissioner will be a touring officer meeting his collectors individually and collectively in conference either at their headquarters or his own at frequent intervals. Problems relating to classification can be discussed and, where appropriate, decided at these meetings. Further there should be a quarterly meeting of Commissioners-in-conference presided over by the Member of the Board in charge of Excise.

Under "Administration" all functions presently performed by Member (Central Excise) except those relating to class I Services, should be entrusted to the Zonal Commissioners. In the matter of transfers and other issues relating to establishment, the new arrangements will not have the effect of supplanting the existing authority of the collectors within their own jurisdiction.

Appellate functions of the Board should continue to be performed by Member (Appeals). There should be no reversion to the system which prevailed some time ago under which the appellate work was distributed among the Members of the Board.

Individual cases involving a vigilance angle and all disciplinary cases which are presently looked into by the Board should come within the purview of Zonal Commissioners. Collectorate inspections and periodical inspections of lower formulations which are one of the routine functions of the Board and of the regional offices of the Directorate of Inspection should constitute the responsibility of the new organisation of Zonal Commissioner.

Audit of ABC Units should be carried out by parties



operating from the zonal level.

Regional Training Institutes and all Regional Laboratories which presently cater to the needs of the Central Excise Department or to the needs of both Customs and Central Excise should be under the administrative control of the Zonal Commissioner. Having regard to the close inter-connection between Excise and Customs at various levels, the arguments which justify the devolution to the Zonal level of some of the functions of the Board insofar as excise is concerned are also valid to a certain extent in respect of customs.

#### Field level Reorganisation of Collectorates

Despite the increase in their number the work load of some of the collectorates is disproportionately heavy. For example, though small in area, Bombay Collectorate comprising greater Bombay and Thana continues to have a very heavy work load. The position is somewhat similar in regard to (1) Calcutta and Orissa and (2) Delhi collectorates. Existing jurisdiction of all collectorates may be reviewed for the purpose of making these charges administratively viable.

A redistribution of collectorate boundaries with a view to providing better service to certain industrial complexes which on account of their location find it more convenient to deal with a neighbouring collectorate rather than the one in whose jurisdiction they happen presently to be situated, would present a number of administrative and accounting problems. The inconvenience presently felt by assesses in terms of the requirement that cheques in respect of duty payments can be drawn only on an approved bank located at the collectorate headquarters is expected to be largely mitigated if the proposal that cheques may be permitted to be drawn on approved banks located at divisional headquarters is implemented. ABC units should be the direct responsibility of the jurisdictional collector who should exercise that responsibility through a team of specially selected and trained officers. In the case of such areas as Jamshedpur, Visakhapatnam and Burdwan (Durgapur-Asansol complex) which not only represent a concentration of ABC units but which are at the same time located at considerable distances from the headquarters of the concerned collector, it would be desirable to post a sufficiently senior local officer (of the status not less than that of a Deputy Collector) to administer such units on behalf of the collector. Assessments and all other functions (except peripheral functions) connected with ABC units would be the collector's responsibility. Adjudication of offences arising in relation to these units would also fall within the jurisdiction of the Collector.

The staff assisting the Collector in the administration of ABC units would have to be specially selected so as to provide the necessary expertise in methods of accounting and techniques of production. Suitable experts may be inducted by direct recruitment or drafted from other departments on deputation. These experts would be assigned to collectorates where their special knowledge and expertise would be most useful from the point of view of the concentration of commodities produced. They would be available for advice on technical matters to other collectors also.

On whether field formations should operate on a territorial basis or be organised on what is known as the functional pattern, it is suggested that, consistent with the basic

considerations put forward, including the need for pinpointed responsibility, the actual pattern must be left to be decided by those best acquainted with the local conditions and local problems, viz. the Collector and Commissioner concerned.

It would be desirable in due course to evolve suitable norms for various items of work required to be performed by an Assistant Collector and his office and to determine the size of a Division on the basis of the work load so assessed.

The Assistant Collector has a pivotal position in the organisational set-up. He should be an officer of standing and experience who is able to take appropriate decisions on his own. An officer should not be given the independent charge of a Division unless he has had sufficient field experience and has some familiarity with work at the Collectorate headquarters. The Assistant Collector should keep himself in touch with the working of ABC units through his intelligence officers and other sources of information. The activities of his preventive organisation would extend to these units. In a way, so far as ABC units are concerned, he would be the eyes and ears of the Collector, communicating to him all such information as may have a bearing on revenue.

For ABC units, functions relating to classification, valuation and assessment should vest in the collectors. It should, however, be open to the Collector to delegate those functions to the jurisdictional Assistant Collector in respect of bonded installations of mineral oils and other similar units which do not involve problems warranting the personal attention of the Collector.

For PBC units, insofar as functions relating to classification, valuation and assessment are concerned, the Assistant Collector should be the proper officer for commodities which have a complicated tariff or involve detailed examination with reference either to the composition of the product or the valuation law and principles or extensive market enquiries, whereas for the remaining commodities, these functions should be performed by the Superintendent. The division of commodities on the above basis should be decided upon by the Administration and varied from time to time according to needs and exigencies.

For CBC units the powers of the proper officer for purposes of classification and valuation should be exercised by the Superintendent.

Having regard to the quasi-judicial nature of decisions on issues pertaining to classification or valuation, instead of providing for an extra-judicial method of internal discussion or consultation between the Superintendent and the Assistant Collector or between the Assistant Collector and the Collector, the relevant rules should clearly stipulate that where a proper officer feels that a decision on an issue concerning classification or valuation should be possible for him in law, to refer the matter to such higher officer.

For the additional work of receipt and collection of cheques and accounting of credits at the divisional headquarters, the Assistant Collector should be provided with the necessary staff under his administrative control.

The initial operation of determining the prospective duty liability of producers, expected to be brought within the purview of simplified procedure, should be organised at the Assistant Collector's level and with his active participation in the various exercises needed to be carried out for a proper switch-over to the new procedure.

It would be necessary to assess the quantum of work in-

involved in a Range.

The Range should be a compact, self-contained administrative unit performing all primary functions in relation to the producing units coming within its purview.

In the matter of office accommodation, if no suitable building is available in proximity to the bigger units falling within the jurisdiction of the Range, there should be no objection to one of the factory units providing the necessary accommodation for the Range or the Sector office concerned by arrangement with the Department for payment of due rent.

In the matter of residential accommodation in metropolitan areas such as Bombay, Calcutta, Madras, Ahmedabad, Kanpur, etc., Government should take steps to hire buildings and rent them out at the standard or the pool rent to the Central Excise staff. Where Government buildings are available, the Director of Estate may be requested to reserve a pool for the Central Excise staff so that no difficulty may be experienced by them in regard to residential accommodation. Where the factories are situated in remote areas, such as in Assam, and no building is available for residential accommodation apart from those owned by the factory owner, there should be no objection to the Excise Staff being housed in accommodation hired from the factory. In other places, if the Central Excise staff are not able to hire or rent residential accommodation readily and at reasonable rents there should be no objection to Government hiring the accommodation from the factories themselves if such residential accommodation, already constructed by them for their officers and workers, is available.

The jurisdiction of the Range should be demarcated into sectors, each sector being placed directly under an Inspector who will be responsible for effective administration of all units falling within the sector.

Powers of adjudication should be exercised by the jurisdictional Superintendent.

The Range may be provided clerical assistance in the form of a clerk-cum-typist. The Range should also be given a small permanent imprest for petty contingent expenditure.

### Preventive Organisation

The system of selective control should help to bring about a considerable reduction in evasion, by introducing a more rational distribution of trained manpower corresponding to the revenue significance of different categories of units. But this does not make it any the less necessary to build in, as part of the total scheme, an adequate and efficient Preventive and Intelligence Organisation.

In the wake of SRP there was a quantitative increase in the cases detected. But many of them were either technical or trivial. Like SRP itself, Prevention has tended to be routine and non-selective. Selective control implies, among other things, Selective Prevention. The Directorate of Intelligence and Investigation at the Centre will be responsible for formulation of policies regarding both intelligence and investigation and issue of guidelines for implementation of those policies at different levels. Collectorate and other field preventive formations need restructuring and re-orientation to make them more effective.

Some deficiencies in the preventive set up relate to insufficient incentives to attract personnel of the requisite calibre;

inadequate attention to selection of the right type of personnel, want of proper training, paucity of funds for intelligence work; lack of elementary facilities like—vehicles, telephones, fire-arms etc., and meagre provision for rewards. Improvement should be made in these basic prospects.

Having regard to the fact that collectorates and within them the divisions will have different combinations of producing units subject to different patterns of control, the strength and quality of preventive personnel needed will have to be assessed separately for each formation. The preventive organisation should have a three tier structure.

In addition to its usual complement of Inspectors a normal range formation should have an Inspector (Preventive and Intelligence).

The second tier should be at the Divisional level. The preventive force at this level should function independently of the Preventive Range.

It should have adequate striking capacity as well as its own sources of information. It should function as a composite unit responsible for all preventive and intelligence work in the Division, including Customs, Gold Control and Central Excise.

At the Collectorate level separate parties should be constituted for preventive activity under customs, gold control and central excise, each operating under a Superintendent. Necessary coordination between the functioning of different parties constituting the third tier and between the functioning of the preventive parties constituting the two tiers, namely, the Range and the Division, should be provided at this level by the Assistant Collector or the Deputy Collector concerned.

The need exists for each range and each division being equipped with a preventive force of its own as part of a coordinated three tier structure for the collectorate as a whole, irrespective of whether the range is situated at the headquarters of the division or the division is situated at the headquarters of the collectorate. Greater emphasis should be laid on mobile preventive party operating at odd hours in areas close to the processing units.

Each preventive party should have a vehicle at its disposal and also the equipment necessary for setting up road blocks and exercising adequate surveillance. Preventive parties should also be issued fire-arms in limited numbers. The parties at Collectorate headquarters should also have walkie-talkie sets through which they can communicate with the central room or the collectorate head-quarters. There is considerable scope for improvement in the present position regarding payment of rewards in central excise cases. The whole position needs to be examined in depth.

The absolute limit of Rs 2500/- in respect of rewards which can be sanctioned in a Central Excise case by the Collector and which was fixed in 1963 is far too low in present day conditions. In fact, as in the case of customs, there need be no ceiling at all. There exists adequate justification for a substantial enhancement of the existing powers vested in Collectors and other officers, both in the matter of final as well as interim rewards. The procedure prescribed for, and the powers delegated to, customs officers or equivalent rank should apply mutatis mutandis to Central Excise officers also. There does not exist adequate justification for laying down that Deputy Collectors and Assistant Collectors posted at collectorate headquarters cannot sanction and advance

rewards at all.

The quantum and scale of rewards payable to Government servants are adequate. Existing disparities between Excise and Custom officers should, however, be removed. Apart from rewards, recognition for meritorious work done should be accorded in such other ways as granting additional increments in pay, making special entries in confidential record, awarding accelerated promotion, or granting medals and certificates in appreciation of the work done, particularly to Government servants who are not eligible for cash rewards.

As regards the time and manner of payment, both for the informers and the officers, any incentive to sustain their interest in rendering service to the department should be provided by (i) immediate payment of 50% of the expected final reward; (ii) ordering an additional interim reward if the case is subject to long and protracted legal proceedings; and (iii) making payment of the final reward immediately on the completion of legal and judicial proceedings.

The funds allocated for rewards should be substantially increased. Allocation of funds for secret service expenditure should be suitably increased and officers encouraged to establish a proper system whereby informers are recruited and nursed. Officers required for preventive and intelligence functions should be specially selected, after taking into account their aptitude, past performance in detection of offences and other relevant factors. A separate cadre for the preventive organisation is not necessary but an appropriate scale of special pays should be designed for preventive officers.

The audit organisation of the Department is structurally inadequate and, in a large measure, functionally ineffective. The Committee is wholly in agreement with the view expressed by the Central Excise Re-organisation Committee (1963) that "the top echelon at the level of the Chief Central Excise Revenue Authority should include a Directorate of Audit to keep under constant review detailed schemes of audit as need arises, and to see that accounting and audit of revenue in collectorates is effective, expeditious and thorough".

It is of the utmost importance that the machinery of audit should be so designed as to play an effective role in the matter of both collection and proper accounting of revenue.

Audit functions performed by Inspection Groups should be transferred to a proper Audit Organisation.

It would be in the fitness of things if the present accounts set up of the Department headed by the Chief Accounts Officer is merged with Audit in a common organisation which may be called the Internal Audit and Accounts Division of the Department.

The constituent Accounts wing of the new organisation should continue to function as at present with the same hierarchical set up.

The seniority and promotion of class III ministerial officers including those posted in the Accounts Wing would continue to be subject to the same principles as at present and regulated on a collectorate basis. On promotion to the level of the Assistant Chief Accounts Officer, the incumbents should be borne on the common class II cadre of the Internal Audit and Accounts Division. The constituent Audit Wing of the new organisation should be restructured. The hierarchical structure should consist of five distinct grades of

officers, viz, Technical Assistant, Examiner of Accounts, Assistant Director, Deputy Director and Director.

For appointment as Technical Assistant, officers of comparable grades in the executive and ministerial wings of the service, namely Inspectors from the executive side and Head clerks and Deputy Office Superintendents from the ministerial side, should be eligible. Technical Assistants would constitute a distinct cadre of their own within the Audit and Accounts Division, with their seniority and posting regulated on a zonal basis.

For initial appointments to the grade of Examiner of Accounts, selection should be made from (1) existing Superintendents of Central Excise, Assistant Chief Accounts officers, Examiners of Accounts and Administrative officers who may opt for the new Audit and Accounts Organisation (2) Senior grade Inspectors and (3) Office Superintendents.

Posts of Chief Accounts Officer in the Accounts Wing and Assistant Directors, Deputy Directors and Director in the Audit Wing will be in class I. All these posts should belong to the Integrated Indian Customs and Excise Service.

The post of Chief Accounts Officer should be formally designated as a class I post. A certain number of these posts should be placed in the senior class I scale or, failing that, a suitable special pay may be attached to them.

Audit functions are largely ministerial in character. At the same time in the Central Excise Department, in which techniques of production have an important bearing on points of revenue, the executive element should be duly represented in the machinery of audit. The new Internal Audit and Accounts Division should be able to fulfil its assigned role in all particulars thus affording considerable relief to statutory audit which has had often to perform functions which legitimately pertain to internal audit.

All assistance required by statutory audit in the matter of procurement of records and other documents should be afforded by the Range staff and other departmental authorities including officers of the Internal Audit and Accounts Division.

### Machinery of Adjudication

The present structure of delegation of powers based on the value of goods which can be confiscated and limits upto which penalties can be imposed is inherently defective inasmuch as the jurisdiction of officers is related not to the prima facie nature of the offence but to the degree of the punishment which might eventually be imposed.

The delimitation of powers should cover three distinct items namely (i) the value of goods involved, as a criterion for judging which authority can deal with the case, (ii) the maximum limit in terms of value upto which goods can be confiscated by such authority, and (iii) the limit upto which it can impose a penalty. The revision of the existing powers on these lines is all the more necessary because in SRP the question of goods being seized arises only in a minimum number of cases.

It should not normally be open to an authority to remit the case to a lower authority if it finds that on the basis of the value of goods which can be confiscated or the penalty warranted by the facts of the case, such lower authority would be competent to adjudge the case. However, in exceptional

cases such as those in which the offences involved are trivial in character, it should be possible for the authority concerned to exercise appropriate discretion subject to such guidelines or safeguards as the Administration might prescribe.

It would be desirable to evolve an administrative arrangement by which cases in which no goods as such are involved as for example those concerning failure or repeated failure of assessee to submit the returns in time or those involving falsification or mutilation of records, can be suitably allocated to different officers.

Powers of adjudication should be suitably enhanced.

Present limits of maximum penalty provided for contravention of different Central Excise Rules should be increased to five thousand rupees.

Powers to impose penalties in respect of losses should be enhanced to the levels recommended in respect of adjudication of offences. For condonation of cases as such and demand of duty the present monetary limits should appropriately be doubled.

Powers related to monetary limits, wherever prescribed, may be reviewed in the light of increases in price levels and suitably enhanced, if necessary.

The concept underlying the creation of the institution of Appellate Collectors is basically sound and the experiment should be given a fair trial.

There is no merit in the suggestion that Appellate Collectors should come from and belong to a different cadre, preferably the judicial cadre.

A Tribunal should be set up to deal with cases at the revision stage, i.e. those in which orders-in-appeal have been passed by the Appellate Collector or the Board. The Tribunal should be competent to look into question both of law and of fact. It should not be administratively attached either to the Central Board or to the Department of Revenue and Insurance. Preferably, it should be attached to the Ministry of Law.

The Tribunal should consist of a chairman and a minimum of two members. This number may be added to depending on the volume of work. The chairman of the Tribunal, though he need not necessarily be drawn from the judiciary, should have the status of a High Court Judge.

In so far as original decisions, i.e., decisions other than those passed on appeal under Section (35) are concerned, Collectors should have the necessary powers of review in respect of decisions taken by Superintendents. For decisions taken by Assistant Collectors and Deputy Collectors, the Zonal Commissioner concerned should be the competent reviewing authority, while for decisions taken by collectors, the Board should continue to perform this function. In respect of decisions passed on appeal or review the Government should consider the feasibility of replacing the present review procedure by suitable provisions enabling the Government (in addition to the assessee) to go in revision to the Tribunal.

### Re-deployment

The present organisation has grown in an ad hoc manner on the basis of the heterogeneous demands made on it from time to time by widening tariff, altering procedure and increasing involvement in new functions.

The procedures relating to levy and collection of duty on manufactured tobacco are entirely different from those applicable to manufactured excisable products, but both unmanufactured tobacco and manufactured products are administered by the same officers under the same supervisory hierarchy.

Even though staff required in various collectorates is sanctioned with reference to specific purposes, collectors have considerable discretion in the matter of re-deployment of the available manpower so that actual deployment is often different from what might be inferred from the formal staff sanctions.

The recommendations made relate to manufactured excisable products only. It is not possible to put forward a detailed pattern of work units or norms for different functions proposed to be assigned to different formations and within them to different classes of officers. Some estimate, however broad, seems called for if only in order to obtain some idea of the magnitude of the changes involved in terms of personnel.

The Tobacco Excise Tariff Committee has estimated after obtaining the requisite details concerning field formations the total number of Superintendents and Inspectors engaged on unmanufactured tobacco during 1973. Unmanufactured tobacco which contributes 3 to 4% of the total revenue from excise duties takes up a quarter to one third of the staff employed in the field.

The staff requirements estimated are based on certain assumptions regarding the need of each pattern of control. Many of the assumptions made are in the nature of broad averages which can be applied only to the sort of exercise attempted here.

On the basis of the analysis attempted, the number of additional Superintendents required would be 802 while 522 Inspectors would be rendered surplus.

The increase in the number of Superintendents in the field organisation would entail an increase in the number of divisions. The proposed reorganisation of the Audit would warrant the creation of a certain number of additional posts in the cadres of Assistant Director and Deputy Director, in addition to the Chief of the Bureau of Audit at the Centre. On the Accounts side, there would be additional posts of Chief Accounts Officers besides Assistant Chief Accounts Officers at Divisional headquarters.

### Selection and Training for new duties

The reorganisation of the Department will have to take into account the staffing and other requirements of the pattern of Control envisaged for tobacco.

An additional 802 posts of Superintendents would be required. With the consequential increase in the number of Divisions and promotions of Superintendents to that grade, there would be further vacancies so that the total number of additional posts of Superintendents needed would be around 900.

Selection of staff would need to subserve the basic requirements postulated by the system of selective control.

In the matter of selection for supervisory posts of Superintendents a distinction has to be made between long term and adhoc appointments. Recruitment from the open market

is necessarily time-consuming, while the needs of the Department would be immediate.

Properly selected and given some training, Inspectors with their long practical experience of the working of the Department would be well suited, as an exceptional nature necessitated by a major reorganisation of the administrative structure.

The proposed selective promotions to the new posts of Superintendents from the existing cadre of Inspectors should be regulated either on an all India basis or on that of adequately large regions or zones.

Appointments to the new post of Superintendents should be made 50% on the basis of merit-cum-seniority and 50% by a system of departmental competitive examination open to Inspectors with a minimum prescribed period of service which should be five years.

Future vacancies of Superintendents should be filled partly by promotion from among Inspectors and partly by direct recruitment in the ratio of 75:25. The number of posts required to be filled each year should be allocated between generalists and specialists who would be recruited through the UPSC in either case.

Initial appointments to the various grades in the Internal Audit and Accounts Division should be made from the existing departmental cadres. For future vacancies of Technical Assistants, the normal channel for appointment should continue to be through the feeder cadres of Inspectors and Head clerks and Deputy Office Superintendents, though at a later date recruitment may also be resorted to for a number of these posts.

Future vacancies in class II may be filled in the same way as vacancies in the grade of Superintendents on the executive side.

There will be considerable expansion in the ministerial cadre. Selection of personnel may continue to be regulated as at present.

It would be necessary to impart adequate training to the staff needed for different patterns of control and for other functions like preventive and audit.

Ad hoc training courses and seminars might be started before introducing the scheme of selective control.

The Administration should endeavour to allocate the staff in such a manner that officers continue to remain employed in the particular fields assigned to them for a sufficiently long period.

#### Recruitment, Training and other Issues

There is need for a well conceived personnel policy which operates at different levels through a well designed system of personnel management.

So far as the immediate future is concerned the new demands will to a large extent have to be met by redeployment of existing staff after appropriate training for the purpose. Looking further ahead, long term modifications reflecting long term projections and needs will be inevitable in regard to points of admission to different posts or cadres, qualification on admission and training thereafter.

A sound and balanced cadre composition is the cornerstone of an efficient administrative structure.

Career prospects of ministerial officers in class III for purposes of promotion to class II are extremely unsatisfac-

tory.

Cadre strength of LDCs is smaller than that of UDCs with the result that a large number of vacancies in the grade of UDC has existed over a number of years. The position in the case of Deputy Office Superintendents is similar.

It is desirable to take early steps to correct this lop-sided structure.

With the implementation of the recommendations made, the career prospects of ministerial officers would show considerable improvement. But a matter of far greater significance for ministerial officers will be the consideration that avenues of promotions to class I appointments will now, for the first time, be thrown open to them.

The prevailing position regarding the number of grades in the ministerial cadre, their composition, methods of recruitment and promotions and restrictions to which promotions are subject should be re-examined.

In the context of the situation obtaining in the Department as a result of the existence of a multiplicity of grades in the ministerial cadre, the policy followed by the Administration of gradually reducing the strength of Head Clerks grade is endorsed.

Frustration prevailing in the ranks of Inspectors appears to be the result partly of the gradual dissociation of this class of officers from active participation in functions involving trust and responsibility. The other factor is stagnation in the grade of Inspectors of a large number of officers for want of adequate promotion prospects. Whatever the reasons for stagnation the resultant damage to the morale of the Inspectors has been considerable.

Reorganisation proposals are expected to ameliorate the present state of affairs.

It is not possible either now or in the foreseeable future to dispense with the cadre of Inspectors altogether, though its preponderance would steadily decline. Stagnation is largely a transitional problem.

An Inspector who has put in 15 years of service in the ordinary grade and who has a satisfactory record of service should be appointed to the senior grade posts which is presently restricted to 25% of the permanent posts; it should be suitably raised to say 50%.

The earlier arrangements under which seniority and promotion upto class II were regulated on a zonal basis had considerable merit. Government might consider the revival of the old zonal concept. Seniority should be fixed with reference to the date of appointment and not the date of confirmation.

Prospects for promotion for class II officers are poor.

A senior or selection grade should be created for this cadre also.

On promotion to class I, superintendents should be appointed directly in the senior class I scale.

Opportunities of promotion available to class IV personnel are negligible. In this connection the recommendations made by the Third Pay Commission (Chapter VIII: para 47 of their report) are supported.

Induction of specialists is necessary at various levels.

In order that the talent attracted is of the appropriate type, it will be necessary to incorporate certain special features into the recruitment such as relaxation of the usual age limit, offer of higher initial pay and provision for absorption into the general stream at later stages.

Services of suitable experts may also be obtained on deputation from other Government departments. There may be need eventually for an even higher percentage (i.e. higher than 25%) of direct recruits in class II considering the onerous responsibilities envisaged for the Superintendents.

For the grade of Inspector the existing pattern of direct recruitment and selection from the grade of UDC may continue. Minimum qualification for direct recruits should be a university degree.

Two thirds of the posts in the cadre of UDCs may be filled by direct recruitment. The minimum educational qualification for direct recruitment should be a University degree.

There is need for considerable augmentation of both size and diversity of training facilities.

Among other things, training should help towards a better understanding of the different types of operations and accounts peculiar to the manufacturing units concerned.

There is need for adequate training to personnel engaged in preventive duties. If necessary, special courses for preventive officials may be devised.

Apart from the extension of the regular training facilities, it will be necessary to organise crash training programmes to fit existing personnel into new jobs.

Besides initial training it should be possible for every officer to attend at least two general refresher or executive development courses during his service.

Training centres may be set up in the collectorates for training both executive and ministerial class III officers. For new recruits to class III there should be a sound task-oriented basic training.

Regional Training Institutes should be placed under regional commissioners. These institutes would cater largely to class II personnel. Such class I officers as have not undergone the formal training given to direct recruits and who cannot be trained in the Central Training School might also be given courses at the Regional Institutes.

Maximum use should be made of the facilities provided by the Lal Bahadur Shastri Academy, the various management institutes, the Indian Institute of Public Administration and the Administrative Staff College.

In the training institutes adequate accommodation should be provided not only for lecture-rooms and libraries, but also for the lodging of the trainees. Proper facilities for their boarding and recreation and the payment of sufficient allowances are also necessary.

It is unwise to stint on training facilities. Transfer allowances should be adequate to cover the expenses involved. Routine transfers from one station to another in the case of officers below the class II level, specially after they reach middle age, should be governed by human considerations no less than by well deliberated principles.

For Assistant Collectors and Superintendents a stay of five years in one collectorate (except where a transfer is warranted for compelling administrative reasons) would be a suitable working rule.

Promotee class II officers should not normally be transferred outside the Collectorate; in any case they should not be transferred outside the zone or linguistic region. Direct recruits to class II may, however, need to be transferred to various collectorates in a zone to expose them to as wide a range of excise duties as possible. For class III officers

transfers should be restricted to the collectorate.

The present system of Annual Confidential Reports should be reviewed to bring it in line with modern methods of performance appraisal.

In the matter of residential accommodation a great deal more needs to be done than at present and for a much larger complement of staff. Immediately, and perhaps on an emergency basis, it is necessary for the Department to start its own programme for construction of buildings at places where the problem is acute.

What is needed is a comprehensive scheme with the next two decades in perspective.

Office premises should be located centrally in clean surroundings, should provide adequate space and be suitably furnished. They should provide for normal facilities like canteens, tiffin rooms and recreation rooms. The provision of vehicles, telephones and other equipment should be carefully planned and supplies promptly made.

Emphasis need to be placed on the promotion of social, cultural and recreational activities for officers and their families.

Properly trained and qualified personnel should be appointed as Welfare Officers.

Government ought to have a machinery which ensures that vacancies arising in different cadres of the service are promptly brought to the notice of the administrative authority and filled without delay.

## Public Relations And Machinery of Communication

In indirect taxation where, in effect, the assessee collects the tax on behalf of Government, he has a right to know how much he has to pay and what else he has to do; in other words what his liabilities and responsibilities are. Some of the recommendations made in regard to Procedure and Organisation are designed to ensure a closer rapport between the tax collector and the tax payer.

A proper scheme of public relations should include tax payer assistance programmes. At present this is confined to issue of trade notices about which there are complaints of delay. Since trade notices are sent only to recognised associations and federations, a fairly large sector of producers who are not members of such bodies have no access to them. The brochures brought out by the Directorate of Inspection some time ago were not adequately publicised. The usefulness of the Advisory Committees and the Advisory Council is limited.

Public relations should begin with the Range which is the first level at which the assessee comes in contact with the Department. Every effort should be made to ensure that all the information needed by the assessee is available in the Range itself. It is of the utmost importance that the personnel of the Range should be trained to be courteous and equipped to be knowledgeable. The Range office should have adequate stocks of forms, latest editions of tariff manuals and supplements and upto date versions of modifications and instructions, including sufficient copies of publications for sale and trade notices and instructions for distribution among the assessees. There should be facilities for seating visitors and arrangements for attending to them without inordinate delays. It is wrong economy to economise on the courtesies which the public rightly regard as their due.

In Divisional and Collectorate offices, including the offices of the Appellate Collectors, public relation officer of a suitable status should be available. Each office should have a suitably furnished visitor's room provided with reading material including attractive literature on the activities of the Department.

Senior officers should set apart some of their time for interviews. Officers should be encouraged to take decisions at their level and eschew the tendency to make references to higher officer.

Existing machinery for printing and publication of departmental books or other literature, whether for sale or departmental use, needs to be streamlined and strengthened. The entire work of compilation and publication should be centralised in one organisation, preferably the statistics and intelligence directorate which should simultaneously undertake the responsibility of distribution.

Suitable programmes should be drawn up to provide information about the activities of the Department both to assesses and to the general public through such obvious channels of communications as the newspaper, the radio, the TV etc. Press conferences could also be held at different levels to resolve doubts and make it an occasion for informative publicity about the Department.

There should be a separate Advisory Council for Excise of which the membership should be more broadbased including greater representation for the medium and small scale sectors of the industry. If necessary this council should function through sub-committees constituted for major industries or allied groups of industries. The council should meet bi-annually, or even oftener if necessary, and zonal commissioners should participate in the deliberations. It would be appropriate to constitute committees at the zonal level and to call them Zonal Advisory Councils on the lines of the All India Central Advisory Council with collectors fully participating in the deliberations.

It is not necessary to retain formally the Regional Committee currently constituted. Collectors and other officers should, however, continue to meet the industry periodically at different centres and at the meetings of the chambers of commerce and associations of federations of trade and industry. There could also of course be special meetings for discussing the problems of particular sections of the industry.

### Control Laboratories

Control Laboratories, though created originally for customs work, are performing important functions in the matter of classification of excisable goods. During 1970-71, 1971-72 and 1972-73, 48%, 51% and 51% of the samples tested by control laboratories related to Central Excise. In several cases it was found that declarations furnished by the producers were wrong and goods produced were found on test to be liable to higher rates of duty.

Broadly, the criticism against the role and functioning of Control Laboratories centres around delays to which analysis of samples is said to be subject and the accuracy of the results of tests carried out. While some of the causes for delay are susceptible of being rectified by issue of administrative instructions, there are other deficiencies which need to be looked into. Some of the laboratories which were created originally for customs work have taken up work relat-

ing to excise samples and also assumed technical control on factories producing certain excisable goods. This has tended to make them rather unwieldy. The laboratory in Bombay is a case in point. It is currently handling some 60 to 70 thousand samples of which more than a third relate to Central Excise. The laboratory should be split up into two units, one dealing with customs and the other with excise. The excise laboratory can be located elsewhere.

Since the basic requirements of excise and customs for the purpose of carrying out tests are not materially different and as long as the total quantum of work involved can be managed by an existing laboratory, there is considerable advantage in retaining the present composite character of the Control Laboratories.

It is neither feasible nor necessary to make control laboratories self-sufficient in the matter of equipment and personnel needed for carrying out all the tests required in terms of the tariff. A vast majority of the tests required to be carried out are essentially chemical in character, while for others (of which the number is reportedly not more than 2%) the laboratories have established the necessary liaison with Government and semi-Government institutions. In several cases, it would be not only un-economical but involve avoidable expenditure to equip the control laboratories with the paraphernalia of other tests.

The application of modern techniques of testing can help curtail the time involved in tests carried out through conventional methods, improve the accuracy of results and step up overall efficiency of analytical work. Steps should be taken urgently to meet the existing deficiencies of Control Laboratories and streamline their working. The staff should be imparted the necessary training in National or Govt. Industries Testing Laboratories.

It has been urged that having regard to the increasing volume of work which the control laboratories are expected to perform, the Central Revenues Control Laboratory and the Regional Laboratories are very inadequately staffed. It is not possible to indicate the extent to which the existing personnel of the control laboratories needs to be augmented, but the matter needs urgent attention. Suitable action in this behalf should be taken after appropriate, and if necessary, expert examination.

Regional Laboratories which presently cater to the needs of the Central Excise Department or of both Customs and Central Excise should be placed under the administrative control of the zonal commissioners.

### Statistics and Intelligence Branch

The status of this organisation should be raised to that of a full-fledged Directorate which may be called the Directorate of Statistics and Publications. Some of the functions, presently performed by the Directorate of Inspection (Customs and Central Excise) should be assigned to this Branch. Illustratively there are: those connected with publication and maintenance of Manuals and Books of Instructions, compilation and issue of quarterly bulletins and judgments, standardisation of forms and registers and other related items including the work of distribution and publicity. For the performance of these functions the Branch would need to be strengthened, with personnel of the number and quality needed. The delays now involved in the compilation

of statistics raise several important questions concerning the receipt, consolidation and submission of periodical returns.

The scheme of Central Exchange envisages that one copy of the assessed RT 12 return together with enclosures (presumably gate passes, invoices etc.) will be forwarded to the headquarters of the Central Exchange. It has been suggested that this will achieve the desired expedition in compilation. Since the checking and assessing of monthly returns takes a fairly long time the suggested procedure is not likely to obviate the delays to which compilation is now subject. It would be more appropriate if instead of sending gate passes, invoices, etc. to the Central Exchange the format of the RT12 itself is elaborated so as to provide such additional information as is sought to be gleaned from these documents.

A copy of the RT12 and other returns which are required to be mechanised should be sent immediately on receipt from the producing unit to the Directorate. After compilation, the primary returns so received may be utilised by the Central Exchange. Mistakes and errors discovered in the Range, which even now are communicated to the Branch through the succeeding monthly return, can be brought to the notice of the Central Exchange, if necessary, by the compilation unit. The present arrangement may continue whereby copies of basic returns are submitted to the Divisional office and the Chief Accounts Officer and, after consideration, to the collector.

#### Concluding Observations

In the Central Excise Department the preoccupation of policy with raising more taxes and devising more exemptions is wholly understandable. But this has not been matched by something equally important, namely, the corresponding feed-back from the field and the necessary preparation at all levels, so as to ensure that only the practicable is aimed at and what is aimed at is in fact implemented. In the suggestions made in this volume the Committee has tried to harmonize the administrative structure with the broad requirements of tax procedure outlined in the earlier part of the report. In the recommendations concerning the Central Board, the need to bring together and combine within the

functions of one Member of three aspects of tax policy, tax-procedure and tax administration have been kept in mind.

The Committee has noted with some concern the growing gap of communication between the tax payer and the tax gatherer. Industry is on the whole justified in feeling that there is too much centralisation, that decisions are unduly delayed, and that even important problems fail to receive timely and adequate attention at different levels of the administrative structure.

The recommendation concerning establishment of a Tribunal at the revision stage follows from the same reasoning as underlines the institution of Appellate Collectors.

Efforts towards improving the tax system are seriously impaired by the shortage of qualified staff. This Committee has placed considerable emphasis on training and on the formulation of a proper policy concerning personnel management in the Department. The Committee attaches great importance to the recommendation that all personnel matters such as policies of recruitment, training, career development and staff welfare should be dealt with exclusively by one Member of the Board designated as Member (Personnel).

The recommendations set out in Volume I are designed to counter evasion by the introduction of a more effective deployment of trained manpower, corresponding to the revenue significance of different categories of the unit. Suggestions for the establishment of an adequate and efficient Preventive and Intelligence organisation as part of the total scheme, have been elaborated in this volume.

Audit organisation of the Department is structurally inadequate and functionally ineffective.

A radical transformation of the existing structure, including the constitution of an Internal Audit and Accounts Division in the Department, has been suggested.

It is expected that the recommendations made by us would lead to better deployment of existing resources, bring about a qualitative improvement in working, reduce the area of friction between the assessee and the Department, lighten the burden of both, and substantially improve the career prospects of working personnel in different grades. In absolute terms, the cost of collection would increase, but as a percentage of the revenue yielded by excise duties, the effect of the Committee's recommendations would at the most be marginal.

## TASK FORCE ON INTEGRATED RURAL DEVELOPMENT, 1971 Interim Report on Integrated Agricultural Development Projects in Canal Irrigated Areas, New Delhi, Planning Commission, 1973. 39p.

Chairman: Dr. B.S. Minhas.  
Members: Shri M. Ramakrishnaiah; Financial Adviser,  
Ministry of Agriculture; Shri N.G. Abhyankar;  
Shri G.V.K.Rao; Shri M.J.Bhutti; Shri Ranjit

Gupta; Shri S.V. Govindarajan (replaced by Dr  
R.S.Murthi); Shri Anand Sarup; Dr A.  
Vaidyanathan; Shri M.A. Quraishi; Shri R.B.  
Vohra.



## APPOINTMENT

The Task Force on Integrated Rural Development was appointed by the Planning Commission, Government of India, in October, 1971.

## TERMS OF REFERENCE

(i) To spell out the main elements of a broad strategy of integrated rural development oriented towards more employment and better production in the Fifth Five Year Plan;

(ii) To work out illustratively the pattern of technology, investments, and institutions for rural development programmes appropriate to different agro-climatic conditions and levels of development;

(iii) To review in the light of (i) and (ii) above the ongoing special programmes for rural development and rural employment and to suggest ways for their modification and synthesis into an integrated programme of rural development.

## CONTENTS

Introduction; General Approach; Resume of some Relevant Experiments; Integrated Agriculture Development Projects in Canal Irrigated areas; Location and Financing of Pilot Projects; Annexure—Paper prepared by Mr.D.A.Sims, Technical Officer, UNDP, Chambal Land and Water Use and Management Project for the Workshop on Soil and Water Management at Ranchi, Bihar, March 1971.

## RECOMMENDATIONS

### General Approach Concept of Integrated Rural Development

Of late, it has not been uncommon to come across the phrase "integrated rural development". This phrase, however, is seldom used in the same sense. Sometimes it is applied in the context of integrated development of a whole region. On the other hand, it is also applied in relation to a very small area, say, 100 hectares. Thus the unit for integrated area development is varyingly conceived. Similarly, the phrase, "integrated rural development" is differently employed. It can be used to embrace both agricultural development and rural industrialization. It is possible to impart an even wider meaning so as to include even items such as rural health services. In view of these different interpretations, it seems necessary that on the first instance we should spell the concept of integrated rural area development.

After careful consideration, we have belatedly decided to take what might be considered a rather restricted view of the expression "rural development". We have chosen to equate it with agricultural development in the widest sense so as to embrace, besides crop husbandry, all the allied activities. The *integrated development* that we visualise encompasses both spatial and functional integration of all relevant programmes bearing on increased agricultural production and reduction of unemployment and under-employment among small

farmers and agricultural labour. In our view, the unit for planning of integrated development should comprise an area (falling within a district) which has a substantial measure of homogeneity in terms of land and water resource situation. This homogeneity is evidently necessary to ensure that there are certain common types of works and programmes that need to be undertaken in a proper sequence in order to exploit the development potential of the area and also to extend the benefits of such development to the mass of the people in that area. In this context, it is possible to visualise a variety of land and water resource situations. For instance, there are areas which are endowed with canal irrigation and undulating topography. Again, there are areas which have canal irrigation and where land surface is relatively even. Then there are areas where irrigation is principally divided from ground water. There are other areas which may be characterised either as dry farming areas or drought prone areas. Finally, there are hill areas. Each of these categories is capable in turn of being subjected to more refined and sophisticated sub-divisions. However, from a practical point of view, a broad identification of land and water resource situation should suffice.

There are two pre-eminent objectives which are implicit in our concept of integrated rural development.

(i) In a defined rural area, realisation of the fullest agricultural production potential must be attempted by mutually reinforcing measures connected with development of local land and water resources and the provision of all complementary production inputs and organisational improvements as also development of human skills.

(ii) The developments promoted in the defined rural area should be as broad-based as possible so that the large mass of the rural people particularly the small farmers, marginal farmers, agricultural labourers are enabled to participate in development and share the benefits of such development.

There is at present a bewildering variety of programmes and schemes connected with different aspects of rural development and employment. While, in many ways, these programmes and schemes are intended to be complementary in character, in practice they are often not coordinated in a given area in a proper time sequence. The developmental inter-action and coordination among these new schemes is inadequate. Various rural development programmes and schemes are still ad hoc in character and suffer from wide dispersal and fragmentation over different districts/areas. This lack of a systematic synthesis of various programmes often results in overlapping of financial and organisational resources. Another consequence is the ineffectiveness of the impact of developmental effort. The principal objective of the proposed integrated rural development projects will be to overcome these deficiencies.

### Distinction from C.D. Block Concept

For the purpose of clarity it is necessary to distinguish the concept of integrated rural area development from the concept behind community development block. The latter was also conceived as essentially an area programme to promote community awareness for better standard of living. However, on the agricultural side it was focused principally on providing to the farmer inputs and services exter-

nal to the farm itself. Such inputs and services included extension, advice, seed, fertiliser, pesticides, implements and machinery, credit, marketing and storage. The Community Block Development Programme did not specifically envisage any physical planning by way of reformation of land or reorganisation of water resources or diversification of investment to tackle the rural unemployment programme. Moreover, the Community Development Blocks were not identified on the basis of any homogeneous land and water resource situation. The boundaries of the C.D. Blocks were largely determined by administrative convenience. In the case of projects of integrated rural development, the objective is to refashion the productive apparatus of the rural economy of an area in terms of its land and water resources by undertaking measures such as consolidation of holdings, land shaping, realignment of water courses, construction of the drainage system and strengthening of other activities which are complementary to these programmes. This stress on detailed and careful physical planning on our part should not, however, be construed to mean that we are ignoring or deflating the importance of other elements such as C.D. concept of local participation in IADP concept of package practices.

#### Relationship with SFDA and MFAL

It seems necessary to bring out the relationship of integrated rural development project to the current SFDA and MFAL programmes. The latter programmes are, no doubt, area based. They, however, aim at improving the economy of the small and marginal farmers and agricultural labour in a somewhat segmental manner. In several cases, these projects happen to be located in areas which are suffering from a stagnant rural economy. Hence in such projects an effort towards optimum area development appears to be a condition precedent in improving the economy of small and marginal farmers and agricultural labourers residing in the project area.

#### Resume of some relevant experiments Etawah District

The Damodar Valley Corporation had undertaken a programme of soil conservation-cum-consolidation of holdings in the earlier part of 1950. This programme was studied in some details in 1957 by the Planning, Research and Action Institute of Uttar Pradesh. In the light of the study, in early 1958, an experimental project was undertaken in an area of 18 hectares in village Chirhulia of Ajitmal Block in Etawah District.

First of all, the area to be consolidated and conserved was identified and then the land thereof classified on the basis of fertility of soil in accordance with the instructions of the consolidation of holdings authorities. The land was divided into three classes; type I, type II and type III. After making a topographical survey of the identified area, a contour map was prepared. On the basis of this map and valuation of soil on fertility bases, holdings were carved out after consolidating the scattered plots of different farmers at one or two places as far as possible. The layout of bunds along contour lands was indicated by the Project authorities before their actual construction was taken up. The height of bunds was kept at about 2-1/4 feet with a side slope of 1:1

and a cross-sectional area of 8.45sq. ft. After construction of contour bunds, individual plots were demarcated and allotted to the farmers concerned, who put up their own field bunds, which too were attempted on the basis of sub-contours according to size, soil and slope of each plot.

Soil samples from three different classes of land as indicated above, were collected and got analysed through the Government Agriculture College, Kanpur. On the basis of soil analysis results, suitable recommendations for various agricultural operations and agronomical practices were made to the farmers in respect of their new 'chaks'. Besides construction of contour-bunds and sub-contour bunds, arrangements were also made for the drainage of surplus water to a nearby "nullah". After taking over possession of newly formed 'chaks', the farmers grew their recommended crops. The crops in the Rabi of 1958-59 were very satisfactory as the farmers had adopted recommended agricultural practices and rain-water had been conserved considerably on account of the presence of bunds. There was no damage due to water-logging as suitable arrangements had been done for the drainage of surplus water. The farmers were quite convinced about the efficiency of various measures in the very first year. They not only constructed their bunds, but also provided their own finance for construction of masonry works. However, a few farmers were given medium term 'taqavi' loans for pucca works construction. In all 21 farmers were involved. The experience gained in village Chirhulia (Ajitmal Block) indicated:

(i) that integrated Soil Conservation and Consolidation of Holdings Programme could be carried out effectively in eroded lands, having gentle slopes;

(ii) that the farmers should be properly motivated and educated to evoke their active participation for consolidation and soil conservation operations on voluntary and self-help basis;

(iii) that technical guidance should be provided by duly trained V.L.Ws and A.D.Os (Soil Conservation) throughout the operation phase; and

(iv) that the consolidation staff should be closely associated with the project staff while making re-alignment of land and distribution of 'chaks'.

The work in village Chirhulia was essentially of an exploratory nature. It provided very useful insight in the problems and prospects of integrated operations of consolidation of holdings and soil conservation and gave them good opportunity for practical training. The results achieved in the first three years though of a modest nature, were promising. It was, therefore, decided to test the experiences gained on a limited basis by involving a large number of farmers over a large area. For this purpose, a Pilot Phase of the project was initiated in village Patia Chatorpur of Mahewa Block in the year 1962-63.

Actual area taken up under the project was about 34 hectares with a gentle slope varying from 0.5 per cent to 1.6 per cent. All this area had been excluded from the consolidation of holding operations carried out in this village in the year 1961-62. Other details of the area are as under:

- (i) Total area of the village-93.4 hectares
- (ii) Net cultivated area of the village-81.0"
- (iii) Area excluded from the consolidation of holding operations-33.90"
- (iv) (a) Area taken under the Pilot Project-33.90"

(b) Number of plots in the Project area-1.03"

(c) Average size of plots-0.33"

(v) (a) Total number of cultivating-households in villages-48"

(b) Households involved in the project-38

From the above figures, it could be seen that about 40 per cent of the net cultivated area of the village was left out of consolidation of holding operations.

The project area is located on the bank of river Saugar having an average slope of 2.0 per cent towards the river. The soil of this area is predominantly sandy.

The significant features of Project planning and execution are as follows:

(1) A Shajra map of the village was obtained from the Lekhpal for identifying the project area and the particulars of individual holdings of the farmers.

(2) A topographical survey of the area was undertaken and a contour map was prepared.

(3) Thereafter, land classification was done on the basis of fertility of soil in consultation with revenue authorities and on the basis of this classification, the land was grouped into three categories, viz. Type I, Type II and Type III. The classification was mainly based on the nature of soil and terrain.

(4) Demarcation of plots was done on the basis of contour marked on the Shajra map and plots were generally aligned along the contours.

(5) While demarcating plots, sites of masonry escapes were also indicated.

(6) A detailed plan with estimates for construction of contour bunds and other engineering works, such as masonry escapes, drainage, etc. was prepared.

(7) Construction of contour bunds was taken up with the help of farmers/labourers and the expenditure thereon was provided by the authorities. Construction of masonry works was, however, got done at the cost of the farmers in whose fields and for whose benefits such works were constructed. The work regarding levelling of individual plots was taken up by the farmers themselves by bullocks. No Government expenditure was incurred on this account.

About 2.6 hectares unculturable waste land has been brought under cultivation. Further, there has been a significant change in the area sown during kharif. During the year 1962-63, only 50 per cent of the wet sown area was under kharif crops and the rest was left as monsoon fallow for conserving moisture for Rabi cultivation. The percentage of Kharif area increased to about 64 per cent in 1969-70. A small increase of 0.52 hectare was also registered in the area under said crops, which were non-existent.

There has been a definite improvement in the cropping pattern of this area. In the base-year, during kharif only ramified crop of bajra and arhar was taken. The arhar crop, if its growth was good, was harvested in March/April. In case of poor growth for lack of moisture, it was used as a fodder for animals. Due to improvement in the moisture and soil of the area, the farmers have now started taking crops, like sugarcane, sweet potato and paddy. A significant increase in area has been registered under maize crop. Further, area under wheat increased from 4.0 acres in 1962-63 to about 16 acres in 1970-71. Area under coarse grains like bajra (barley and gram) has declined and passed on to more remunerative crops, like wheat and potato.

As a result of the programme in village Patia-Chatorpur,

the cultivators of adjoining villages of Sarai Ilahi, Indrausi and Kunetha have also taken up the programme in their villages under the technical guidance of soil conservation staff of pilot development project. Of an area of about 296 hectares in these three villages, an area of 181 hectares had been treated till the end of 1970-71.

Contour bunds have been constructed by the farmers themselves at their own cost, after agreeing to voluntary exchange of 'chaks'. Necessary corrections in the revenue records, have also been made in an area of 105 hectares in villages Sarai Ilahi and Indrausi.

The average cost of normal soil conservation programme ranges between Rs 100-160 per hectare and that of normal consolidation of holding operations from Rs. 35 to Rs. 60 per hectare. The limited experience of the present Project which has now been implemented in five villages in all, shows that combined operations can be carried out at a cost of Rs. 160 to Rs. 200 per hectare.

Chambal Command Area

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Recently a few promising beginnings have been made in the direction of integrated rural development. In the Chambal Command Area, in Rajasthan State, canal irrigation was introduced about ten years ago. In the absence of requisite measures for development of land, the potential benefit of irrigation remained substantially unutilised. In the absence of proper drainage arrangements, problems of soil salinity and water logging have emerged. In this background, a UNDP aided project for land and water development was initiated in Kota district. The project authorities, after necessary investigation and studies, took up a project for integrated development of land and water resources of a compact area in village Digod in Kota district. The aspects which were simultaneously covered by the project were the following:

- (i) Consolidation of holdings;
- (ii) Land levelling;
- (iii) Provision of drainage;
- (iv) Training and clearing of nallahs;
- (v) Re-alignment and lining of water courses;
- (vi) Provision of structures on field water courses, irrigation canals and drainage ditches;
- (vii) Farm paddy.

Since the above project was conceived as a demonstration, it was financed entirely by Government funds. However, as a result of the success of the demonstration, the concept behind the project began to catch the fancy of farmers. Recently a group of farmers have volunteered to come forward and obtain loans from Government and finance a similar development of their land and water resources in an integrated manner. This recent project which is of obvious significance, is located in Simwasa village in Kota district. Nineteen farmers whose lands embrace the entire command area of an irrigation outlet from minor distributory are the beneficiaries of this project. The total area covered is 72 acres. On an average, each farmer has taken a loan of about Rs. 1,500 per acre which is to be repaid in a period of 7-10 years. With the significant improvement on marketable surplus at the disposal of the concerned farmers, they are quite confident of repaying the loan out of their increased income. It may also be added that as a result of reorganisation and realignment of field boundaries, field

roads, water channels and drains, an area of about 5-10 per cent has been sowed and added to the total cropped area.

The message behind the above project appears to have registered on the minds of the people. As a result, there is a growing demand in the Rajasthan part of Chambal Command as well as in the Madhya Pradesh part of Chambal Command for such reorganisation of land and water resources in an integrated manner. The State authorities of Rajasthan have negotiated a substantial loan of over Rs. 7.2 crores from six commercial banks. This would enable covering an area of about 45,000 acres for this kind of integrated treatment of soil and water. Consequently, the authorities are also visualising intensification of extension effort and the arrangements for supply of credit, inputs etc, with a view to exploit the improved production potential of the land and water available in the concerned areas. It may be added that according to latest report from project authorities, about 2,000 acres has been taken up for development by June, 1972.

### **Integrated Agricultural Development Projects in Canal Irrigated Areas Main Elements**

For integrated area development, it is not good enough to piece together a number of sectoral programmes operating in a given area. It is necessary that while for implementation some disaggregation is inevitable, the initial project formulation must be on a comprehensive basis and must provide for all requisite elements bearing on the development of the resources of the area and the masses of the people residing in the area.

In a typical area served by canal irrigation, the following are likely to be some of the important elements which are relevant:

- (i) Development of land and water resources,
- (ii) Consolidation of holdings,
- (iii) Crop planning and agricultural extension,
- (iv) Development of Infrastructure,
- (v) Development of small farmers and agricultural labour,
- (vi) Legislative and administration framework.

### **Development of Land and Water Resources**

In each project, the detailed planning and implementation has to be on the basis of the command area. The area within such command may further vary from 800 hectares to 4000 hectares. A part of such command area covering about 50-100 hectares can be taken up at a time for integrated land and water development. The main steps involved are:

- (i) Survey and plotting
- (ii) Planning
- (iii) Land levelling and shaping
- (iv) Construction of water courses
- (v) Construction of drainage ditches
- (vi) Construction of roads
- (vii) Training of Nallahs
- (viii) Development of minor irrigation facilities.

The listing above does not necessarily indicate the sequence of the various steps which will depend upon the situation obtaining in any particular project area. In fact, a

number of operations may have to be taken up simultaneously to achieve the integrated land and water development. It must also be emphasised at the outset that responsibility for solution of the complex dynamic problems associated with integrated land and water development cannot be the prerogative of one or two disciplines and that closest cooperation between a large number of interested and qualified authorities is essential.

While details of the action require to be worked out for each specific area, a broad discussion of various factors is given below:

Typographical surveys showing contours at suitable intervals will be one of the essential pre-requisites for such projects. The exact contour intervals will, however, depend upon the physical characteristics of the countryside and the use to which these contour surveys are to be put. It can generally be stated that flatter the countryside the smaller will be the contour interval and vice versa. These contour surveys will help in land levelling and shaping, laying out of water courses, field drainages, soil conservation bunds etc. While doing the topographical surveys, boundaries of farmers' holdings, Panchayat or Government lands, common wastes may also be delineated.

Along with the topographical surveys agro-economic and soil surveys need to be carried out to know the existing pattern of land utilisation and production levels. This will be useful inter alia for project formulation and also its evaluation when it gets going.

Having collected the basic data, the next step would be a design of the system wherein the various elements that enter into the integrated development of land and water resources have to be defined, e.g. keeping in view the nature of the soil (infiltration rate etc), climatic conditions and cropping patterns, the method most suited for providing irrigation to the fields is to be determined, whether it be border strip, furrows or sprinkler. The basic approach is to improve the efficiency of field application of water and reduction of application losses, as a result of wider appreciation of the physical characteristics of the soil. The design has also to take into account the timing depth and uniformity of application. Excessive percolation beyond the root zone should be largely available by matching the depth of each application with the available water storage capacity of the soil in the root zone of the crop at the time of irrigation. This requires some observation and knowledge of the moisture-holding capacity of the soil.

Persistent over-irrigation not only gives rise to low water application efficiency but can also cause depression of yields as a result of leaching of soil nutrients and if this practice is widespread, it may lead to waterlogging. Where excessive run-off is expected, a suitable system of field drains, collecting such excess waters, would need to be provided. Where field drainage is required to be provided, properly designed drainage inlet structures will have to be provided. In some situations, these may have to be designed to receive sub-soil drainage, especially where the soil is saline and where the water-table is high.

A common cause of reduced application efficiency and uneven crop yields under surface irrigation is undulations on soil surface, and consequent lack of uniform distribution of water in the field. This defect can largely be remedied by grading the surface to remove high and low spots. Further

improvements can be effected by the use of large size land plains to reshape the whole field surface to uniform grade at optimum slope subject to top soil depth being adequate. This defect of non-uniform irrigation does not arise to the same extent where sprinkler irrigation is used. For carrying out levelling operation the depth of the cut and fill can be greatly reduced if the fields of individuals which lie across the contours (i.e. along the slopes) can, by consolidation of holdings (discussed under para 4.13-4.16 infra) be made to lie along the contours.

The water courses and field channels are a source of significant quantities of water loss. Due to poor maintenance, irregular alignments etc, the seepage opportunity from them is far greater than from the unlined main canals and branches. A Kucha water course occupies a lot more (4 to 6 times) land than if a water course is lined. Further, in the case of black cotton soils, due to alternate drying and wetting the banks of such earthen channels become weak and prone to breaches. In the circumstances, it will be desirable to provide a cheap and economical system of lining of water courses. Precast reinforced concrete slabs, troughs, half-rounds etc. with suitable leak-proof construction-cum-expansion joints need to be adopted. The water saved as a result of lining would decrease water costs per unit of crop yield and increase the irrigated area for a given outlet. Polythene pipes have been used with advantage for syphoning water out of such pucca water courses into the fields. They have the advantage of flexibility of off-take and avoidance of costly cross-structures.

The integrated land and water use design needs to provide an efficient excess water disposal system. The full components of such a system would be a main drain discharging into the streams of rivers, link drains and field drains. The system has to be designed to cater for the excess discharge that may be collected by it not only as a result of irrigation operations but also the excess run-off resulting from rainfall. Obviously, it will be too costly to design a system which carries away the water as it comes especially during a storm, but it should be capable of draining the whole area within a certain number of hours to avoid damage to crops. In case of rise this period could be as long as three days.

Among the activities to be undertaken, one of the important ones concerns the training and clearing of natural nullahs. Usually, if not attended to, the natural drainage channels become choked with aquatic weeds. Therefore, the natural nullahs into which open field drains discharge need to be necessarily cleared and deepened and wherever necessary straightened out.

It will be desirable that the possibilities of providing supplementary irrigation from ground water should be explored along with other programmes of land and water development. Two considerations command this line of action. Firstly, more often than not, the surface irrigation waters are hardly enough to cover the entire land for two crops and depending on the location of the field vis-a-vis the outlet and the channels itself in which the outlet is located, the reliability of supplies is uncertain. This is particularly relevant in the case of diversion schemes not backed by surface storage reservoirs. Secondly, however efficient irrigation practices may be, there is a residual downward movement of water beyond the root zone and considerable quan-

tities of water percolate through the soil to supplement the ground-water reservoir. Theoretically, if an amount of water approximately equal to the long-term annual recharge is pumped it will provide control over waterlogging. Obviously, tubewells could be pumped at a greater rate during periods of shortfall in surface water supplies or in periods of extra demand. However, two important points to be borne in mind are that the details of water recharge are very difficult to assess in quantitative terms and that the ground waters are highly viable in their suitability for irrigation due to dissolved minerals. Depending upon the total dissolved solid contents, the ground-water may be fit for being used directly for irrigation or, where salinity reaches moderate levels, it could be diluted with surface supplies. In some instances, the salinity may be so high, with total dissolved solid content exceeding 3000 P.M., that ground water may not be usable at all. Keeping in view the aforesaid, a judicious conjunctive use of surface and ground water irrigation facilities could be planned, which would help to optimise the benefits of the total land and water resources of the area. We may add that in certain States, under-ground water exploitation in canal irrigated areas is not permitted. In our view, such restrictions should be removed and the relevant administrative/legal orders should be rescinded.

### Consolidation of Holdings

At present, one of the serious bottle-necks affecting agricultural planning and development, the excessive parcelisation of bigger holdings, is all pervasive. It is estimated that in size range of 25-30 acres, there are as many as eight parcels. Over and above the fact that each holding is broken into too many parcels, these parcels in turn are so haphazardly laid out that, where irrigation is available, it is not capable of being used to the best advantage. The planning for land and water development as well as drainage and moisture conservation also gets vitiated in these circumstances.

At present, legislation for consolidation of holdings exists in most of the States except Orissa, Tamil Nadu and Kerala. However, progress in this regard has not been substantial except in three States, namely, Punjab, Haryana and U.P. Consequently, for the country as a whole, only 361 lakh hectares have been consolidated. This constitutes about 20 per cent of the cropped area. Apart from such inadequate crops even after consolidation, farmers have been generally left with about three or four disjointed parcels.

A major defect of the present process of consolidation has been that this programme has not been explicitly related to a rational land development and proper soil and water management. The only step taken in this connection has been in Punjab where a rectangular map of a village under consideration is passed on to the Irrigation Department for the alignment of water channel, fixation of outlets and alignment of main drains. The Irrigation Department was required to finish the job well in time so that the consolidation staff could keep it in view. In other States such as U.P., even these aspects have been generally missing.

In the integrated development projects that we are visualising, consolidation of holdings is an important part of the programme. At the same time, since various kinds are subjected to land improvement and made homogeneous in

character, it is contemplated that, at the end of the operation, the lands of each farmer will be in one single place and will have uniformity of access to water channels, drainage and farm roads.

### Crop Planning and Agricultural Extension

Since the various land and water development programmes identified above involve considerable financial outlay, it is necessary that the developed land is put to optimum use. This is essential both for increasing the production as also for enabling the farmers to discharge the financial liability that they would have contracted. Intensive extension work, in this context, will necessarily be an essential element.

One of the major efforts required will be concerned with the evolution and propagation of appropriate cropping pattern. This would require adaptive research in the form of field verification trials. Hence in each integrated development project, a centre for adaptive research may have to be organised in each district selected for the project. Agricultural scientists drawn from various disciplines like agronomy, plant protection, soil and water management, agricultural machinery etc. must be on its staff. Such a centre will have to be backed up with a massive programme of demonstration and training of farmers in the scientific techniques of cultivation. The on-going Plan schemes and programmes relating to these aspects must be dovetailed with similar activities under the project.

### Development of Infrastructure

In the integrated development projects, it is self-evident that development of infrastructure covering items such as communications and road, agricultural credit institutions, facilities for marketing, processing and storage will be vital. In designing for the development of infrastructure, it will be necessary to identify what are called Growth Centres, i.e., small or intermediate size towns that have a high capacity for a growth. Under the Fourth Plan, the methodology for identification of such growth centres has been sought to be evolved under a centrally sponsored scheme for pilot projects for growth centres. Broadly speaking, a Growth Centre is expected to provide for the following:

- (a) Banking and Postal facilities
- (b) Agro-services
- (c) Retail Depots for Input supply
- (d) Facilities for marketing of Farm Produce Marketing yards
- (e) Storage and warehousing facilities
- (f) Vocational Training Centre
- (g) Information Centres
- (h) Shopping Centre
- (i) Local Administrative Office, wherever feasible
- (j) Veterinary Dispensary.

Without these Growth Centres and efficient marketing and storage systems, strangulation points will soon begin to appear. Thus, building up of an efficient infrastructure should proceed, at least proceed simultaneously, with the construction of an agricultural area development plan.

### Development of Small Farmers and Agricultural Labour

As pointed out earlier (vide para 2.3) one of the pre-eminent objectives of integrated rural development is that the development promoted in the defined area should be as broadbased as possible, so that the large mass of the rural people, particularly the small farmers, marginal farmers, agricultural labourers are enabled to participate in development and share the benefits of such development. At present, a certain number of projects started under the Fourth Five Year Plan are in operation in different parts of the country for this very purpose. The working of these projects has been going on for a limited period and it is not easy to draw very firm lessons from the experience available so far. However, it will be necessary to build into the programme of integrated development some of the features of the SFDA and MFAL projects which have been found to be useful. By way of illustration, one might mention the device for enabling larger flow of credit to small farmers by providing a special risk fund to cooperative credit institutions. Another illustration concerns development of minor irrigation works on group basis through a provision of joint loans from credit institutions coupled with subsidy from Government.

### Legislative and Administrative Framework

It would be seen that the integrated rural area development project visualised in this report will embrace a large variety of activities in terms of the present set up in various States. The following Departments /organisations are likely to be concerned with one or more of the following programmes:

- (i) State Soil Conservation organisation/department
- (ii) Revenue Department (in respect of Consolidation of holdings)
- (iii) Irrigation Department (in respect of construction of drains/water courses)
- (iv) Agriculture Department (in respect of crop planning, agricultural extension etc.)
- (v) Cooperative Department (in respect of marketing, processing and storage of infra-structure)
- (vi) SFDA/MFAL agencies
- (vii) Credit Institution.

Among the existing State laws, the following legislations are likely to be relevant to the programmes visualised above:

- (i) Irrigation and Drainage Act.
- (ii) Soil and Water Conservation Act or Land Improvement Act.
- (iii) Consolidation of Holdings Act.

Among the items and soil and water conservation schemes which can be provided specifically and are usually visualised under the Soil and Water Conservation Act are the following:

- (I) Measures against wind erosion and water erosion (sheet erosion, gully and ravine formation, bank cutting and floods) such as:
  - (a) construction and maintenance of "mends", "duals" and "bundhis" and planning of munja, sarkanda or other soil binding grasses or plants thereon;
  - (b) levelling of the land, grading and irrigation layouts;

- (e) contour cultivation;
- (d) prohibition of growing rowcrops;
- (e) strip cropping;
- (f) growing of quick-maturing leguminous crops and close growing crops during rainy seasons;
- (g) green manuring and application of bulky organic manures, etc., compost farm-yard manures etc;
- (h) retirement of any land from cultivation if its continuance under cultivation is prejudicial to this land or some other land;
- (i) control of grazing;
- (j) afforestation or planting of fruit trees or raising of pastures on any land for its protection from erosion or for the protection of any other land;
- (k) planting of trees or shrubs to serve as wind breaks;
- (l) control of the felling or topping of trees or clearance of bushes;
- (m) prevention from breaking of marginal and sub-marginal lands including "charnet" for cultivation purposes;
- (n) maintenance of surface mulches; and
- (o) adoption of suitable crop rotations.
- (II) Measures against water-logging and impended drainage, such as:
  - (a) drainage of water-logged area to make it fit for cultivation;
  - (b) conversion of water-logged area into ponds where drainage under clause (a) can not be economically done;
  - (c) opening of drainage cuts;
  - (d) pumping out the sub-soil water; and
  - (e) increasing the number of culverts and aqueducts or widening the existing ones along railways, canals or road embankments.
- (III) Measures for improving sandy soils, such as:
  - (a) construction of "mends", "duals" or "bundhis" and planting munja, sarkanda or any other soil binding grasses thereon;
  - (b) levelling of land in irrigated areas;
  - (c) prohibition of cultivation of sand dunes;
  - (d) growing of leguminous crops;
  - (e) application of bulky organic manures, e.g. compost farm-yard manures etc.;
  - (f) maintenance of surface mulches;
  - (g) control grazing;
  - (h) creation of wind-breaks along canals, roads, railway tracks, fields, and other places wherever it is considered necessary for the purpose of checking the drafting sand; and
  - (i) adoption of suitable crop rotations.
- (IV) Measures for prevention of user formulation and reclamation of user lands, such as:
  - (a) drainage of both surface soil and sub soil where the water-table is high;
  - (b) construction of bundhis and impounding of rain and canal water in places where the water-table is low with a view to washing down the injurious salts;
  - (c) providing drainage cuts where there is water-logging;
  - (d) application of gypsum and such other correctives.

As regards the Irrigation and Drainage Act, the legislation usually provides for powers to construct and maintain water courses and recover the cost thereof. Procedure is also prescribed for preparation of schemes for drainage works and for recovery of cost thereof from the cultivators.

For the integrated agricultural development projects, that we are visualising, it is obvious that a special project authority will have to be set up. Various alternatives are possible. It may be a project authority created and designated by an executive order of the State Government; an alternative would be to set up a corporate body under the Societies Regulation Act. Another alternative would be to create a corporate body under the Companies Law. Finally, the integrated area development corporation could be created by a special law enacted by State Legislature.

In making a choice out of these alternatives, the following relevant considerations need to be kept in view.

(i) The project authority may have to carry out various land and water development works by invoking existing or new legislation governing activities such as soil and water conservation, consolidation of holdings etc. Hence the project authority should be of a type that is able to command a locus standi in such enactments by virtue of suitable amendments to be made in this regard.

(ii) The project authority may have to incur expenditure on land and water development from its own funds and later on recover the cost from beneficiaries over a stipulated period. In such an event the authority should be enabled to attract institutional credit from commercial banks who may be able to get refinance from ARC.

(iii) The kind of manpower that would be required by the project authority will cut across various State departments and hence it may now be possible to place the project under one designated Department or the other.

In view of the above considerations, it seems that the balance of advantage might lie in creating a project authority which has eventually a statutory basis but which may initially be set up as a corporation under the Company Law. However, such a corporation must be interlocked with the agricultural development administration of the district. Hence the district collector should be the Chairman of the corporation as the relevant officers of Agriculture, Animal Husbandry, Dairying, Cooperation, Irrigation, etc. might be acting on the board of directors.

#### Economics of Integrated Land and Water Development

Before concluding this chapter, we may also refer to a relevant aspect namely the economics of the proposed type of integrated land and water treatment from the point of view of the beneficiary farmers. In this connection, a certain amount of practical experience is already available. We cannot do better than merely enclose a paper prepared by Mr.D.A. Sims, Technical Officer, UNDP, Chambal Land Project. He prepared this paper for a workshop on soil and water management held in March 1971. This paper gives the technical specifications of the land development plan. It also contains inter alia details about the costs and benefits to the farmers from the proposed type of Land and Water development works.

Location and financing of pilot projects  
Location of Pilot Projects

While there are immense possibilities for implementation of integrated development projects in canal irrigated areas all over the country, it is necessary to make a careful and selective beginning. We would suggest that, to begin with, 11 pilot projects may be taken up. These may be located in suitable districts which fall within the command of selected major irrigation projects. The districts chosen should be such that these are characterised by a significant lack of optimum utilisation of available water and land resources.

In the light of the above criteria, the following districts are suggested for the pilot projects.

#### 1. Midnapur District (West Bengal):

Midnapur District falls within the command of Kangsabati Irrigation Project. The Kangsabati Project envisaged construction of dam across the river Kangsabati and Kumari in Bankura district of West Bengal, to irrigate 3,84,465 hectares in Bankura and Midnapur districts. The Kangsabati Dam has been completed in 1965 and the Kumari Dam is expected to be completed in 1973-74. A potential of 1.3 lakh hectares has been created by end of 1971-72 and this would increase to 2.63 lakh hectares by the end of the Fourth Plan. The command area will need development for achieving the maximum benefit possible specially with regard to land levelling and shaping, consolidation, field channels, drainage, proper cropping pattern according to soil, and development of shallow tubewells. Rural roads and marketing, etc. would also need attention.

#### 2. Sambalpur District (Orissa):

The Hirakud Project envisaged construction of a dam across Mahanadi river in Sambalpur district, Orissa, to store 8,100 million cubic meters of water for irrigation of 6 lakh acres in Sambalpur district. The dam has been completed in 1957. The utilisation by the end of the year 1969 was reported to be 5.7 lakh acres. The utilisation of the potential created has been lagging behind due to lack of command area development including field channel construction. There is scope for full utilisation of the potential and improving the efficiency by development of the command.

#### 3. Bundi District (Rajasthan):

This district is served by Chambal project. Chambal Project consists of 3 reservoirs, namely, Gandhi Sagar, Rana Pratap Sagar and Jawahar Sagar, and one barrage at Kotah on river Chambal. The ultimate irrigation potential envisaged is 2.35 lakh hectares. Against a potential of 1.74 lakh hectares created upto 1971-72, the utilisation is 1.58 lakh hectares. The command area of this project lies in Kotah and Bundi districts of Rajasthan. Within a short time of the introduction of canal irrigation, several problems like rising ground water table, increase in solid salinity, infestation of canals with aquatic weeds, arose in the command area. These problems have not only adversely affected the utilisation of irrigation potential but also resulted in low overall increase in agricultural production. There is need for land development including consolidation of holdings, construction of lined channels and field drainage for efficient and speedy use of the potential created and to prevent water logging. Proper regulation of water supplies and night irrigation also need special attention.

#### 4. Bhind District (Madhya Pradesh):

The command area of Chambal Project in M.P. lies in

Bhind and Morena districts. The irrigability survey of the soil has already been completed. Irrigation from the Chambal Project started in 1961-62. Against the ultimate irrigation potential of 2.83 lakh hectares (now reported to be only 2.0 lakh hectares) the potential developed up to 1971-72 was reported as 2.73 lakh hectares out of which the utilisation has been only 1.21 lakh hectares. With the introduction of irrigation the ground water table in certain areas has perceptibly risen. This as well as the poor utilisation of irrigation potential is attributed to improper soil and water management in the command area, i.e. land shaping, water courses and field channels, field drainage and main drainage etc.

#### 5. Gorakhpur District (U.P.):

This district falls under the command of Gandak Project. Gandak Project is an inter-State Irrigation Project with the association of Bihar and consists of a barrage, a power-house and network of canal. The eastern main canal in U.P. is about 110 km. long and would irrigate 3.1 lakh hectares in Gorakhpur and Deoria Districts of Eastern U.P. The project started in 1961 is expected to be completed substantially by the end of Fourth Plan. A potential of 65,000 hectares has been created by 1971-72 against which a utilisation of 32,000 hectares is anticipated. For efficient use of the potential created, soil and water management practices will have to be demonstrated and an area programme for command development has to be undertaken. Drainage and consolidation of holdings would need special attention. Roads and marketing also need attention.

#### 6. Raichur District (Mysore):

Tungabhadra Project to service the drought affected section of Mysore and Andhra Pradesh was planned as a protective system of irrigation for as large areas as possible. It has a dam and reservoir of capacity of 3 million acre feet to irrigate about 12 lakh acres of land. It is served by 3 major canals; the left Bank canal with a head discharge capacity of 3100 cusecs to irrigate 5,80,000 acres in Raichur district of which 8% is localised as perennial, 10% as wet and 82 per cent as light and dry-cum-wet. The corresponding figures for Right Bank low level canal of 2,500 cusecs discharge are 16 per cent, 10 per cent and 74 per cent respectively while the third, i.e., Right Bank High Level Canal with a head discharge of 4000 cusecs is entirely localised as dry-cum-wet for 4,50,000 acres to be irrigated from July to November. The distribution system in the Right Bank HLC is, however, not yet fully developed. Considerable development with reference to the irrigation potential created remains to be achieved, chiefly under the command of the Left Bank Canal and Right Bank H.L.C. The main factors for under-utilisation of the irrigation potential are low discharge in canals, high duty factor assumed for different crops, slow development of land, unauthorised use of water in the non-localised areas and over-use in the localised areas, large size holding, inadequate credit and marketing facilities, considerable water logging and drainage problems on the left bank, etc.

#### 7. Muzaffarpur District (Bihar):

The Gandak Project consists of a barrage and a network of canals designed to irrigate 11.5 lakh hectares in the four districts of Saran, Champaran, Muzaffarpur and Darbhanga of Bihar. Construction work on the project which was started in 1960 and the barrage and some portion of the canal system have been completed and the rest is in progress. The full



development of irrigation potential is planned to be achieved by end of Fifth Plan. Out of 2.0 lakh hectares potential created upto the end of 1971-72, only 0.6 lakh hectares is being utilised. Irrigation potential has not been fully exploited due to slow development of land and its shaping and field channels and drainage, lack of adequate main drainage, fragmented holdings, poor communications and marketing facilities etc. The "Satta" system of irrigation prevalent at present also need to be changed.

#### 8. Calicut District (Kerala):

Kuttiyadi Irrigation Project in Calicut district of Kerala envisages construction of a masonry dam across Kuttiyadi river to irrigate 31,000 hectares in Calicut district. The commanded area constitutes the coastal area with deep alluvial soil, the low land, and deep sandy clay soils as well as the rolling land higher up with laterite soils. All these soils are suitable for irrigated cropping. The rainfall in the command area is about 2500 mm. mostly in the monsoon period. The crops grown are paddy and garden crops of coconut, arecanut, etc. Good progress has been made on the project and would have been substantially completed by the end of the Fourth Plan and would also start giving the benefits. In order to get the maximum benefits, it would be necessary to pay attention to land sharing, field channels, drainage, rural roads, marketing and storage etc.

#### 9. Jalgaon District (Maharashtra):

Girna project envisages masonry dam across river Girna and a main canal of 144 km. The work on the scheme was started in 1958, and the project has been practically completed. It would provide irrigation potential of 57,000 hectares in 1973-74. A potential of 48,000 hectares has been created so far. The utilisation by end of the Fourth Plan is expected to be 40,000 hectares. To get the maximum benefits from these irrigation facilities, it is necessary to devote attention to land levelling and shaping, consolidation of holdings, field channels and field drainage and main drainage to prevent water-logging and salinity. Rural roads and marketing facilities would also need attention.

#### 10. Jammu District (Jammu and Kashmir):

Tawi lift irrigation project envisages construction of 20 miles long lined canal with water pumped from river Tawi near Baghu port in Jammu Division of J & K State. The scheme was sanctioned in 1969. The irrigation potential proposed is 13,000 hectares with the pumped discharge of 300 cusecs. The command area has a rainfall varying from 800 mm to 1500 mm. The water table level lies between 5.75 feet to 24.00 feet below the ground level. The command area needs to be developed with land shaping and levelling, construction of water courses and field channels as well as field drainage for effective utilisation of the irrigation potential. A potential of 10,000 hectares is expected to be created by 1972-73 with the ultimate potential of 13,000 hectares.

#### 11. Guntur District (Andhra Pradesh):

Guntur district is one of the districts of coastal region of Andhra Pradesh which falls within the command of Nagarjunasagar Project (Right Bank canal). The Nagarjunasagar Project envisages construction of storage dam across river Krishna which stands completed and two canals, one on Right side, length 127 miles (203 Km) to irrigate 11.74 lakh acres (4.76 lakh hectares) on the right Bank canal and 8.80 lakh acres (3.56 lakh hectares) on the left bank canal. The project will benefit Kurnool, Nalgonda, Khammam, Nellore

and Guntur districts of the State. The works on the right bank canal have been completed in a length of 115 km. The earth work completed nearly accounts for 91 per cent.

The entire project is expected to be completed in the Fifth Five Year Plan. Against the ultimate potential of 8.32 lakh hectares, potential of 4.13 lakh hectares was expected to be developed by 1971-72. This is expected to increase to 4.42 lakh hectares by 1973-74. The utilisation upto 1971-72 was 3.95 lakh hectares which is expected to rise to 4.00 lakh hectares by 1973-74.

In order to utilise the potential developed speedily and efficiently, soil and water management practices will have to be demonstrated and an area programme for command development has to be undertaken. Field channels, roads, marketing, drainage, consolidation of holdings etc, would need attention.

In each of the selected districts, command areas of a number of minors should be identified preferably in different parts of the district. Each of these command areas will have to be taken up for integrated rural development broadly on the lines indicated in chapter IV. It should be the objective to take up, in selected districts, a cluster of commands so that in the first or the second year of the project, something like 4,000 hectares are brought within the purview of integrated land and water treatment. As the effect of demonstration spreads, more areas can be taken up so that in a period of about three years or so, a sizeable proportion of the cropped area of the district can be brought within the various elements comprising integrated rural development.

#### Financing of Pilot Projects

A large number of items are envisaged as part of the integrated development project. Some of these items are at present financed under the various on-going schemes. Broadly speaking, the following could be considered as the mode of financing some of the major elements:

(i) Technical and servicing staff and the expenditure connected therewith may be met entirely by the Government. This should be an outright expenditure to be incurred by the proposed Integrated Rural Development Corporations.

(ii) There are certain common items concerned with construction of main drains and/or training of nallahs whose cost may also be met entirely by Government and, for this purpose, project funds may be utilised.

(iii) For items such as land levelling, provision of water courses, and field drains, the cost should eventually fall on the beneficiary farmers and may be financed by way of long term credit. For this purpose, the farmers, wherever possible, may obtain direct credit from institutional agencies, such as commercial banks/land development banks. In certain other cases, it should be possible for the corporation to undertake the works and recover the amount from the farmers over a number of years. The Corporation may, in turn, seek finance from institutional sources.

(iv) The programme of rural works to be undertaken under the crash scheme for rural employment may be adjusted, wherever possible, so that part of the expenditure required on complementary public works may be met out of the funds provided under the scheme.

The funds of each corporation conceived for individual pilot project may be derived in the following manner:

- (i) Grant given by the Govt. of India.
- (ii) Contribution to share capital by Govt. of India.
- (iii) Contribution to share capital by State Government.
- (iv) Loans raised from institutional sources particularly commercial banks.

In the initial stages, particularly during the remaining period of Fourth Plan, the Government of India alone may agree to provide a grant of Rs. one crore to each corporation. In addition, we suggest that the Government of India

may contribute to the share capital of the corporation. This contribution may spread over a period of 3 years. The size of the contribution may vary from Rs. 2 to Rs. 4 crores depending upon the scope and extent of operations envisaged in each project area. The specific details in this regard may be worked out by the Ministry of Agriculture through the State Governments who will have to prepare a detailed master plan for each project in the light of the general guidelines indicated by us in the preceding chapter. A bench mark survey will form part of the exercise.

## COMMITTEE ON UNEMPLOYMENT, WORKING GROUP ON PLAN, 1971.

### Report, Delhi, Controller of Publications, 1974. viii + 425p.

Chairman: Shri Arjun Arora.

Members: Shri Raja Kulkarni; Shri M.K.K. Nayar; Shri S.L. Kathuria; Shri R.G. Gokhale; Shri K. Ray; Shri S.V. Venkataraman (resigned); Shri A.F. Couto (replaced by Shri P.K. Ramanujam).

#### APPOINTMENT

The Committee on Unemployment constituted a Working Group on the Plan vide O.M. No:9/2/71-ECU(Tech.)-Plan dated December 11, 1971.

#### TERMS OF REFERENCE

"To recommend the directions in which the programmes included in the Fourth Five Year Plan could be made more employment oriented in their implementation, with due regard to their timely execution, economy and productivity and to the requirements of rapid economic development".

#### CONTENTS

Introduction; Part I: Plan approach to Employment Generation in India; Part II: An Examination of the ongoing Central Schemes under the Fourth Five Year Plan; Part III: Some basic issues of the Fifth Plan Strategy for Employment Generation; Appendices from I to XI; Statements from I to X; Appendices I and II.

#### RECOMMENDATIONS

##### Plan Approach to Employment Generation in India

1. We agree with the general view that full employment is the most desirable goal of economic policies for the country. But the constraints in attaining this in India are well known. Under existing Indian conditions, the main problem is to render the citizen economically active and promote his economic and social rationality to move in step with the planning measures aimed at increasing the rate of economic growth and assuring social justice.

2. The First Five Year Plan had rightly recognised the

need of maximum utilisation of idle manpower for development and of providing larger employment on rising levels of real income by increasing labour productivity.

3. That policy holds substantially true even today. Labour intensive programmes were launched only during the second half of the Fourth Plan period, not earlier. But productivity of labour is still hampered by lack of workers' education and organisational deficiencies. The absence of an incomes and wages policy might be a contributory factor for this situation.

4. Technological changes in organised industry have only marginally affected levels of employment. Capital investment was not properly spread to sustain employment opportunities because of rapid formation of monopolies. Investment in agriculture was also, comparatively, at a lower level. Expansion of non-agricultural occupations was much smaller than the increase in the labour force.

5. There has been no evaluation of Plan investments from the standpoint of employment generation. The Programme Evaluation Organization of the Planning Commission should be geared up for this purpose.

6. The unemployment problem has been highlighted in relation to a few sectors only—organised industry and the educated in the urban areas. This has distorted the perspective. Unemployment in all sectors of the economy should receive equal attention.

7. The study of problems of unemployment in India has been largely influenced so far by concepts and definitions applied to industrial employment in developed countries. Problems need to be studied differently. The temporal attitudes, the different agricultural seasons, the general ecology and infrastructure of the particular area and the human characteristics etc., should be taken into account while formulating concepts for measuring employment on economic activity in India.

8. If the general economic activity is accelerated through productive and gainful employment, the phenomenon of joblessness/worklessness could be kept under control.

9. The Planning Commission should study the valational problems involved in estimating social benefits/costs of plan projects from employment standpoint.

10. The extent of employment generated by a project and

the sustenance of at least a part of this employment later through maintenance works etc., are two very important aspects which should always be kept in view.

11. Since the Annual Plan 1972-73, special schemes for employment generation have got submerged in a mixture of projects. There is need for proper coordination at various levels to see that the employment aspect does not suffer.

12. The labour saving, capital intensive industries should be properly inter-related with other sectors so that capital formation could be cumulatively accelerated at a higher rate ploughing back addition to national income resulting in a general increase in the rate of growth as well as increase in the levels of productive employment.

13. The Planning Commission should work out employment norms for Fourth Plan programmes as early as possible.

14. Projects should be formulated not at 1960-61 prices, but at more realistic price levels.

15(a) New capital-output and capital-labour ratios should be worked out for the organised industry. The technique of calculating employment norms needs refinement. Employment norms should be worked out on a district/groups of districts/ State basis. This would help the Planning Commission in evaluating employment generation programmes on the spatial axis involving the co-operation of two or more States towards the solution of a common problem.

(b) The efficiency of the performance of the State Bureaux of Economics and Statistics to deal with employment problems and research needs to be improved.

16. The Planning Commission should lay down fresh criteria for project formulation in consultation with all Central Ministries and State Planning Departments, etc.

17. The Centre should evaluate the emergency employment schemes on the following three criteria suggested by the I.L.O:

(i) the speed and effectiveness with which the schemes create jobs in the area or where action is needed;

(ii) the extent, nature and importance of the immediate, incidental (other) effects of the schemes;

(iii) the nature and importance of the long-term effects of the schemes on economic and social development, and in particular on the long-term employment situation.

18. In the absence of a specific employment oriented plan, economic projects have had no specific objective of employment generation as such.

19. (a) Excessive importance attached to economic aspects of the projects has led to the neglect of human or social side of employment and the many-sided social problems resulting in labour disputes etc. Therefore, every employment oriented project should be primarily based on a pre-plan assessment of the physical resources of the area, particularly the socio-economic e.g. characteristics of the population to be covered. The tempo to the systematic and progressive build up of employment creation in the areas over the period of the projects should be assessed.

(b) The increasing use of quantitative approach in implementation has to be leavened by supplying the focus on the sociological aspects and evaluating the consequence of employment involving human labour.

20(a) Theoretical approaches of welfare economics do not assist us in India in employment problem.

(b) The extent of cross-subsidisation in industry and

agriculture should be assessed as the general complaint about lack of adequate incentives by the producers in industry/agriculture is not borne by the facts relating to profitability ratios in both sectors.

21(a) The family planning programmes have not adequately integrated the economic reasoning behind them in relation to employment and unemployment although they have sought to convey this in terms of the general welfare of the family.

(b) The importance of the growth of the total annual output and the stock of capital at a constant proportionate rate compounded at the rate of increase of labour force and the rate of increase of output per man is an extremely idealistic if unattainable goal and for the coming years of the Fifth plan period it is the improvement of social and economic rationality through the conscious limitation of family size that will supply it flesh and substance rather than feverish programmes at a tremendous cost of sterilisation among the ethnically robust sections of the people whose reproduction rate requires to improve rather than be artificially reduced. We agree that this is a debatable issue.

22. There should be a central institution for doing manpower analysis in relation to the general employment levels in the country. Its activities should form the basis for drawing up employment plans.

23 (a) The Programme Evaluation Organisation data of bench mark coupled with Census data should increasingly assist employment project formulations to a greater extent than the surveys of the National Sample Survey Organisation.

(b) The State Planning Boards should be put on a permanent footing and strengthened to aid the Planning process. For this purpose the Centre should take immediate steps to ascertain their requirements of personnel, material facilities and similar essential considerations.

(c) As soon as the detailed tables of the Census, 1971 and the latest NSS rounds are available, the data base of the States should be strengthened.

24. Educational planning in India should produce a more economically active individual and not the anonymous entity of the unemployed man as at present.

25. The aspect of vocationalisation in education should be neither underestimated nor overemphasised.

26. At the elementary level (6 to 14 age group) the practical work within the class-room or outside should aim at making it a part of the curricular in order to promote a better understanding of what the children learn in school and what they see outside.

27. (a) Liberal education should be reality oriented to enable the students to become practical in their outlook.

(b) The general school education, not exceeding 11 years, requires to be broad based on the liberal education covering arts, science, language, mathematics and practical work, unless this is bifurcated into a system of vocational training course.

(c) Vocational training courses should start after completion of liberal education which gives the students better preparation for undertaking and utilising vocational courses.

28. It is necessary to bring about a transformation in the mental attitude of the student and not merely in his manual or professional orientations prematurely, without the preparatory phase of the former.

29. A professional education of a highly vocational type

can bring about a serious alienation of the minds of the medical graduates and others from the prevailing national realities. It is, therefore, necessary to bring the element of national purpose by the special reorientation of professional courses which are subject to this hazard.

30. The task of educational planning should not stop at providing jobs for the educated but also extend to assessing the economic and social benefits derived by the society at large through such employment.

31. Manpower planning has not adequately responded to the challenges of the situation and needs overhauling.

32. Alongside manpower planning and employment generation the following aspects also need consideration: (a) economic regionalisation of the State within whose matrix the project-district figures, (b) the geographically conditioned labour market of the area and the mobility of labour within it as between agriculture and industry, and (c) the general level of patterns of employment within the district governed by the percentage of backward communities, absentee landlords, absence of industry and similar indicators of backwardness.

33. The technological development in agriculture in recent years has a definite additive character to unemployment and cannot be explained away under planning. Corrective steps should be taken by the Government in supplying a proper focus to labour studies in relation to agriculture with emphasis on socio-economic characteristics.

34. Market centres or market towns should be developed so that these could provide employment opportunities in agriculture, industry and commerce.

35. The appointment of Task Force by the Planning Commission to promote a developmental inter-action and the consideration of various schemes that have a large employment potential is a step in the right direction and is welcomed.

36. The move to replace segmental or partial approach in development with holistic or integrated programmes at spatial planning is welcomed.

37(a) The recommendation of the Joint Workshop on Employment Generation (New Delhi, August 2nd to 7th, 1972) that industrial planning at various administrative levels, particularly at the time of industrial licensing, should pay more attention to inter-industry linkage and possibilities of breaking down industrial processes with a view to evolving ancillary arrangements is welcomed.

(b) Another recommendation of the Joint Workshop that Area Development Authorities should be set up to begin with in areas with already existing industrial complex is endorsed.

38. Town and Country Planning Organisations should be involved in drawing up inter-related projects covering rural and urban areas under the Minimum Needs Programme spelt out in the paper "Approach to the Fifth Five Year Plan", to which rural housing should be added.

39. The practice of giving 100 per cent grants to the States for preparation of urban and regional plans should be revived so that the State Governments may move in consonance with the spirit and requirements of a national policy on urbanisation through proper town and country planning.

**An Examination of the Ongoing Central Schemes under the Fourth Five Year Plan**

40. The problem of absorbing matriculates in suitable jobs constitutes the veritable core of employment strategy for the coming years.

41. Unemployment among the matriculates and the scientific and technical personnel has a pervasive effect on the morale of the country. Their absorption, therefore, is very important.

42. Delayed provision of infrastructural facilities has hampered implementation of employment schemes in many States. The non-utilisation of funds earmarked and sanctioned for schemes to the full extent is clear indication of operational difficulties.

43. Full details of the stages upto which the Central schemes have been implemented, the extent of utilisation of funds and the evaluation of the major difficulties encountered at the initial stages were not available. This was a big handicap faced by the Working Group.

44. All employment oriented schemes should have adequate supporting statistical bases. Employment generation through a scheme should be well defined in terms of economic, financial and organisational criteria to produce desired results.

45. The new agricultural strategy embodied in the Fourth Plan is a significant departure from previous efforts and emphasises, inter alia, the provision of productive and gainful employment to the rural population.

46. The disaggregated approach outlined in the Planning Commission paper "Approach to the Fifth Five Year Plan" is welcome.

47. The recommendations and detailed findings of the National Seminar held in New Delhi between April 11-13, 1972 on the SFDA/ MFALA Schemes are endorsed.

48. The SFDA Scheme should be continued in the Fifth Plan period and extended to all the 225 industrially backward districts identified so far.

49 (i) The SFDA and MFALA can adopt the area development approach. (ii) The Agencies should see that infrastructural facilities are available at the places where the programmes have to be implemented. (iii) The Agencies should function in close co-operation with the State Governments and administrations of the Union Territories.

50. The procedure of identification of small farmers should be streamlined and made uniform throughout the country leaving no scope for favouritism and malpractices. These should be viewed before the end of the Fourth Plan period. For this purpose, regional workshops of the SFDA may be organised.

51 (i) The recommendation of the National Seminar that as far as possible small compact areas or blocks should be selected is endorsed. (ii) The criteria adopted in the Annual Plan, 1972-73 for integrated rural development whereby the location of the SFDA or MFALA in a district has been included is endorsed.

52 (a) There is duplication of effort as two or three different agencies within the same IADP district are implementing the SFDA and MFALA. This should be checked.

(b) To implement and coordinate the SFDA and MFALA programmes, high level officials should be more intimately involved along with the project officers.

53 (a) The State Governments should give importance to the coordination of the SFDA/ MFALA programmes with their other ongoing programmes in an area.

(b) The employment exchanges should have complete information about all the educated categories employed in the various projects in an area/district.

54. For the success of the subsidiary occupations included in the SFDA and MFALA projects, arrangements should be made for supply of high yielding breeds of cattle and fodder, provision of veterinary services and marketing and cold storage facilities.

55. To have integrated rural development administered by one agency, the SFDA and MFALA programmes should be merged.

56. Under the CSRE wage payments should be made more flexible to include wages in kind also

57. The recommendation of the Interim Report that the allocation of funds should not be uniform for each district but allocated after taking into account its population, state of agricultural development and other relevant factors is endorsed.

58. The recommendation of the Interim Report that the organisation for the implementation of CSRE should be strengthened and pilot projects in small compact areas should be undertaken in selected districts as action-cum-study programmes so that the problems faced under different conditions may provide guidance for planning more comprehensive programmes of employment and infructuous expenditure avoided is endorsed.

59. Before formulating schemes of the nature of the CSRE efforts should be made to conceive pilot projects in suitable areas. Unless this is done much of the expenditure incurred will be infructuous.

60. Evaluation of the CSRE should be undertaken and the problems and difficulties encountered in implementation of the scheme should be attended to.

61 (a) The salient feature of the Rural Employment Guarantee Scheme of the Maharashtra Government should be incorporated in the CSRE during the Fifth Plan period.

(b) The Fifth Plan should embody the strategy of systematisation of employment planning at the District and State levels and the reinforcement of local finance of panchayats through appropriate methods.

62. The scheme for Rural Works and Labour Intensive Activity in the chronically drought affected areas should be systematically evaluated before its continuation in the Fifth Plan period.

63. The evaluation of the schemes for the development of infrastructural facilities like roads and regulated markets, started in 1969-70, should be completed before the end of the Fourth Plan period.

64. The survey of regulated markets conducted by the Directorate of Marketing and Inspection, Department of Agriculture is closely related to the reorganisation of the distributive trade in the country. The implications of employment generation should be studied in relation to internal trade organisation, export sector etc.

65. Because of the success of the green revolution, more attention should be paid to Growth Centres and market towns in district planning during the Fifth Plan period.

66. To make the Drought Prone Areas Programmes successful, the district officials should draw up master plans which could be dovetailed into some kind of long term plans of the district which should be given special attention in the Fifth Plan period.

67. Master Plans for rural works are usually drawn up by the Project Officer who is generally the District Collector. As the District Collector is the most busy officer in the district, he is not in a position to do full justice to all the minute details of the drawing up of the plan. The possibility of seconding him with officers of the Indian Economic Service may be examined.

68. To have accurate statistical data to back the district Master Plans, the possibility of posting members of the Indian Statistical Service to the State Bureau of Economics and Statistics should be explored. The Project Officer should be provided with guidelines for adopting multi-disciplinary perspectives to have an overall view of the totality of the social and economic life prevailing in the district.

69. In cases where the Master Plans have been prepared before the implementation of the Rural Works Programme, wherever a multi-disciplinary approach is possible, it should be adopted for improving the contents of the master plans in keeping with the mix of the programme.

70. In the preparation of master plans and the implementation and evaluation of employment intensive schemes the administrative officers should be involved in all data collecting agencies so that they acquire the requisite insight into the socio-economic life of the district.

71. The issues of employment generation in the countryside cannot be divorced from labour conditions in the rural areas which had been subordinated to the basic issues of enlarging the scope and coverage of the new agricultural technology.

72. Over 30,000 farming cooperative societies should be provided with Secretaries from among the degree holders of the educated unemployed during the Fifth Plan period.

73. To improve the employment potentials in the rural areas, studies for conversion of dry lands into wet lands may be undertaken by all the States concerned with the objective of minimising the risk of frequent failures of dry crops because of drought. These studies should be financed as Central schemes on 100 per cent grant basis during the Fifth Plan period.

74. To explore the possibilities of additional employment for non-viable small farmers and landless labourers, large number of studies in land and tenancy reforms should be undertaken for effective policy formulations and there should be better co-ordination between Government research institutions and agricultural universities, agro-economic centres, the Indian Council of Agricultural Research, etc.

75. The main problem of widening participation in the SFDA and MFALA programmes is the comparative neglect by the Agencies of the existence of share croppers or the farmers who cultivated land on oral lease basis which has an important bearing on the question of viability of small farmers. The studies conducted by the Agricultural Credit Department, Reserve Bank of India in Pune District and the SFDA in Mysore District have stressed the importance of devising measures by which full credit facilities and other inputs are provided to farmers who cultivate land on oral basis or share-cropping basis. The recommendations of the Talwar Committee should be implemented by the State Governments.

76. With the rapid increase of population and only marginal additions to land through new acreage brought under cultivation and through multiple cropping, the man-land ratio

has deteriorated. The new agricultural technology has been introduced keeping this fact in view. Therefore, the agricultural sector will hardly be in a position to create enough new employment opportunities for the swelling labour force. The absorption by the industry can at best be only a small fraction. However, the experience of the Khadi and Village Industries Commission and many other similar bodies has shown that sometimes artificial scarcity of agricultural products has been created on account of their development. To have a clear picture, a detailed study of the availability of labour force in each State for catering to both industrial and agricultural sectors should be undertaken to their shifting requirements throughout the year.

77. Industrial development appears to have followed an erratic course without taking into consideration inter-sectoral problems of rural labour force. There should be proper manpower planning and a nexus should be created between industrial and agricultural labour force in all States.

78. The rural works programme should be implemented vigorously to solve the problem of unemployment and under-employment of rural labour. It could be supplemented by rural electrification, inland water transport, coastal shipping, animal husbandry and land reclamation wherever feasible. The allocation for these programmes should not be diverted to other projects. If necessary, Central assistance should be stepped up to make up State deficits.

79. Under the new agricultural strategy mechanisation has relegated the issues of human labour and employment problems to the background. It is said that the landless labourers and small farmers have derived little benefit and the profits have gone only to the richer farmers. These questions need to be examined by the Panel and the other working groups.

80. (a) The problems of tractorisation and labour displacement differ from area to area. The research studies conducted so far are not balanced and require to be multi-disciplinary and nationally oriented for general policy formulations.

(b) The use of tractor is substantially a measure of agricultural development. Government should not slow down tractorisation and impede food production simply because of criticism based on uneconomic uses of tractors. Mechanisation should be introduced in areas where there is considerable educated unemployment, e.g., in the southern States.

(c) Rural house construction should be linked up with rural electrification and their mutual impact on employment generation ascertained through specific studies. For this purpose, developed tractorised areas should be given priority.

(d) The Government should adopt a firm policy on tractorisation based on the realities prevailing in the country.

81. The recommendation of the National Commission on Agriculture regarding reinforcing the State Agricultural Department by employing specialists, extension officers, etc., is endorsed.

82. From 1960, enormous data about Indian agriculture has been collected by the Government, private institutions and foreign based institutions. Their cumulative impact has not reflected on employment generation policies. A high level Committee should be appointed to bring out the need and lines of coordination in the collection of data among the

various institutions.

83. The Bureaux of Economics and Statistics in the States should be strengthened and there should be regular flow and feed back of information between the Central and State Governments.

84. There may not be much direct employment potential in power schemes as such, but the availability of power would generate indirect employment potential.

85. Adequate planning should be done and organisational measures instituted to achieve power targets. Detailed investigations of specific projects, taken-up sufficiently in advance, offer substantial scope for gainful employment of engineers of different disciplines.

86. Energisation of one industrial service can give employment to about four persons on an average. Potentialities of employment generation through rural electrification, therefore, appear to be very attractive.

87. The recommendations of the Committee of Members of Parliament about the working of the Rural Electrification Corporation are endorsed.

88. Greater attention should be paid to the acceleration of rural electrification in the backward States. The approach of the Ministry of Irrigation and Power in this regard is commended.

89. To the extent breakdowns, industrial strikes and power crises are averted and power consumption in rural industries and agro-based industries encouraged, employment opportunities would increase. Reopening of closed units of industries and multiplying the present number of shifts for fuller utilisation of capacity are directly related to more employment.

90. Reduction in transmission losses through the use of modern equipment and methods should receive the urgent attention of the Ministry of Irrigation and Power, through modification of the Electricity Act, if necessary.

91. High consumption of electricity in the rural areas confers several intangible and indirect benefits which have welcome effects on working time schedule, improvement of working hours of industrial units and improvements in the reading habits of the people, greater participation in community institutions and the general face lift of the villages.

92. An evaluation of employment generation through rural electrification after 1965 should be undertaken by the Programme Evaluation Organisation, Planning Commission with special reference to the scope for expansion of the present scheme during the Fifth Plan period.

93. According to current employment norms, an investment of rupees one crore in minor irrigation generates employment of 1.3 million man-days. An investment of Rs. 1,470 crores during the Fifth Plan period would generate employment of over 1,900 million man-days. If the outlay is doubled, employment generated would be over 3,800 million man-days.

94. The railways should take greater interest in the collection of statistics of labour employed by the contractors doing railways' work. As most of them are rural landless labour, the Railway Board should bring out in clear terms the benefit accruing to the rural communities through their employment.

95. (a) Apart from studying transport economics for which the Railway Board has established a chair in the Delhi University, the Board should commission studies by the universities or by the Indian Council of Social Science

Research to carry out surveys of all types of rural labour employed in the railways, their socio-economic characteristics and the social benefit accruing to the community in particular areas in this way.

(b) The experience of the railways in recruiting casual labour will throw light on the basis of creating a land army in areas having abundant unemployed labour which could be utilised for rural reconstruction programmes.

96. It is important to collect statistics of casual labour employed by the railways. The provision of housing to casual labour should be examined by the Railway Board.

97. Construction of houses for the railway staff, their renovation, expansion, etc., can give employment to a large number of persons in the secondary and tertiary sectors of the surrounding urban areas and villages. This matter should receive the special consideration of the Railway Board. Special studies on the subject may be undertaken.

98. The railways provide educational, medical and health facilities for their staff at considerable cost. These are appreciated. The railways should strengthen these activities for the general welfare of the community. Any extra expenditure involved in schemes of improvement of health, medical, educational and other social facilities undertaken by the railways should be subsidised by the Central Government.

99. Railway projects are labour intensive and employment generation in the railways is substantially linked with programmes of developing feeder roads that help to utilise the existing assets at higher optimum levels. Current schemes for construction of feeder roads should be given priority in implementation and the employment generated thereby should be evaluated.

100. There is great scope for employment generation through the doubling of works, conversion of lines and the starting of new lines. There is considerable employment potential for engineering, teaching and supervisory staff as well as labourers in all these activities. All such schemes should receive Government's special attention.

101(a) Movement of commodities and passengers generates lot of other economic activity which provides employment. The Railway Board should undertake special studies to find out the quantum of such activity and employment.

(b) The Railway Board should carry out studies on the requirements of transport facilities involving the expansion of railways to connect various sections of industrial production, such as steel mills, fertiliser plants, cement factories, thermal power stations etc., as specific steps relating to employment generation.

(c) The Railway Board should strengthen their research establishments, and supply greater information to the public than has been hitherto made possible through reports etc.

102. The potentialities of employment generation in roads and road transport are directly linked with the opening up of new areas for economic exploitation, for integration of rural and urban economies and for quickening the pace of overall development that constitutes a basic necessity for the population at large. Roads have the advantage of reaching the farthest nook and corner of the country thereby contributing greatly towards the objective of better diffusion of economic development.

103. Road construction and its expansion offers the potentiality of decentralised employment and acts as a forerunner for all other employment in economic activity in under-

developed and backward areas. This has also been attested by the findings of an enquiry undertaken during 1958-59 by the National Council of Applied Economic Research (NCAER) at the instance of the Ministry of Transport. The Planning Commission are understood to have entrusted another similar study to the NCAER recently.

104.(a) According to the employment norms identified by the Planning Commission at the time of the preparation of the Third Plan, Rs. one crore invested in roads generates annually 10,435 jobs as contrasted with 8,000 jobs in forestry, 7,000 in irrigation and 5,000 in agriculture and housing. The employment-investment ratio in small scale industries, railways, large industries, etc. for the same amount works out to only 2,000 jobs or less.

(b) An investment that gives rise to 17.9 jobs in the railways or to 16.3 jobs in large and small scale industries would yield 100 jobs in road programmes. Thus, for the same level of investment, employment in road and road transport can increase five and a half times more than in railways and slightly more than six times in large and small industries.

105. Road development in this country, in spite of its multi-fold benefits, has not kept pace with the requirement. Poor and inadequate road network has been one of the main obstacles in making effective use of the country's vast natural resources. Though some progress has been made in extending and improving the existing road network in the country since independence, yet the position as regards road length compared to many other countries is rather depressing.

106. As in the case of rural roads, the development of national highways (which are the main arterial roads running through the length and breadth of the country, connecting capitals of States, major ports and foreign highways at international borders) has not followed the targets laid down in the 20 Year Road Development Plan (1961-81) drawn by the Chief Engineers in the year 1958. As the main carriers of long distance road traffic, National Highways bear heavy traffic at an increasing rate of about 8 per cent per annum. The system, at present, carries about 30 per cent to 40 per cent of the total road traffic, both goods and passenger, in the country, although its length is only about 7 per cent of the total surfaced road mileage in the country.

107. Apart from narrow and thin pavements, there are other deficiencies in the form of weak and narrow bridges and culverts, submergible bridges, causeways and dips and busy railway level crossings on the existing national highways which need to be removed. A survey carried out on the national highway system in 1968 revealed that bringing the existing national highway system to proper standards with two lane carriageway, would involve a total cost of about Rs. 1,300 crores. Though some of the work of removal of deficiencies has been undertaken during the Fourth Plan period, there remains a lot to be done during Fifth Plan period.

108. During the first half of the 20 year plan, only a meagre length of 1056 kms. was added to the national highways system compared with the targeted increase of about 29,000 kms. for the 20 year period.

109. A length of only about 1,53,600 kms. has been added to the country's road system during the first half of 20 year Plan as against the targeted increase of 4,54,800 kms. over the whole period. The total expenditure on roads during 1961-72 was Rs. 1,163 crores compared with the outlay of

Rs.1,925 crores recommended for the same period in the 20 year Plan. The extent of backlog in financial outlay needs to be viewed in the light of the fact that the 20 year Plan's cost figures were based on 1958 rates, and as such, funds required for the physical completion of the work would be much more than those estimated in 1958.

110. The report of the Chief Engineers on road development plan for India (1961-81) laid emphasis on providing employment to technical personnel by increasing the annual intake of graduate engineers from about 400 in the first year (1961) to about 750 in the 20th year (1981). Similarly, diploma holders were estimated to have employment opportunities increasing from about 1,140 in 1961 to 2,150 in 1981. The corresponding figures for technical personnel (draftsmen, tracers, surveyors, etc.) were 1,200 in 1961 and 2,400 in the 20th year. As we are in 1972 with over half of the 20 year period already behind us, we find that employment of graduate engineers and other categories envisaged by the Chief Engineers has not been achieved to the extent anticipated.

111. Road development has not been given its due share in spite of its huge contribution to the national exchequer. The ratio of expenditure on road development to the revenue derived from road transport was 66 per cent in 1952 and 35.5 per cent in 1969. Apart from inadequate finances, absence of assured funds has been a factor inhibiting proper and planned development of roads in the country. The establishment of a non-lapsable Road Fund to which all the proceeds of vehicles licensing, taxation, fuel oil duties, import duties on motor vehicles parts and driving licence receipts should go is the answer. A part of the fund could be diverted to general taxation for defraying the administrative costs associated with the control of motor transport in the public interest.

112. The employment potential per unit of investment in road transport is much higher than that in the Railways. In the large national interest, road and rail transport need to be developed as complementary to each other. For the purpose, it is necessary to spell out the projects in both the modes in terms of location and timings.

113. The potentiality for additional employment in road and road transport can be developed by increasing the labour intensity of road transport services and techniques of road construction.

114. With the growth of the road transport industry, the other linked industries such as automobile manufacturing, motor repairing and servicing, tyre retreading, paint varnishing etc., are also developed.

115. The target for the production of commercial vehicles at 60,000 for 1967-74 is on the lower side. The target of buses at 1,15,000 is also inadequate. The target for production of trucks at 4,70,000 also needs to be raised. Increased production of commercial vehicles will assist the State Transport Undertakings to reduce the congestion in passenger traffic and add to their incomes through opening of new bus routes to reach out distant parts of the States/Territories.

116. In the interest of regulation and development of inter-State Road Transport and expansion of the spread effect of employment generation, all coordinating transport organisations should hereafter keep a close watch on the extent of employment resulting from the process. For this purpose, a special cell should be set up in the Ministry of Shipping and

Transport which should study this aspect constantly and co-ordinate its work with the State Bureaux of Economics and Statistics, Planning Boards and State Transport Authorities.

117. Without effective financial assistance from the Central and State Governments, either through adequate Plan provision or by reduction of direct taxation burden, road transport development is likely to suffer a serious set-back. Without an integrated plan of road and road transport development, the investment in roads would remain largely infructuous. Comparative studies in the performance of nationalised transport undertakings should be carried out to assess the extent of employment generation and the scope for special planning within the States.

118. Studies should be undertaken under the auspices of the Planning Commission on the basis of projections regarding the possible mutual impact of a continuing state of competition between the railways and the roads in regard to freight transportation. This may be done in the light of an employment plan keeping in view the centres of economic activity in the country that have come up over the past few decades.

119. The development of roads and commercial transport should not be permitted to slide down on account of smaller outlays and to suffer as they assist in relieving the pressure on the railways and promoting construction activities in several regions not served by the railways at present.

120. The comparative advantages of expanding road transport vis-a-vis the expansion of railway traffic should receive the attention of the Government in particular areas that offer scope for expanding rural employment during slack seasons in agricultural production.

121. The strategy of employment generation during the Fifth Plan period should be wholly based on the systems approach that is in vogue in advanced countries. The employment potential of this vast sector should be reviewed by the Committee on Transport Policy and Coordination based on the systems approach before the end of the Fourth Plan period.

122. Road construction work in the metropolitan cities of Bombay, Calcutta, Delhi and Madras should be expedited during the remaining period of the Fourth Plan; there is a large concentration of unemployed labour in these cities who could be employed.

123. The recommendations of the Planning Commission's Working Group on Metropolitan Transport Services (1970) should be implemented.

124. Quick transportation and traffic studies of growing cities like Ahmedabad, Bangalore, Hyderabad, Kanpur and Poona should be undertaken keeping the employment possibilities in view.

125. Steps should be taken to complete port projects on schedule and realistic projections of traffic in various bulk commodities like petroleum, oil and lubricants, iron ore and fertilisers keeping the employment aspect also in view.

126. To the extent difficulties faced by the ship building industry in obtaining sanctions for essential imports because of constraints on foreign exchange resources, delay in supplies of equipment etc., and in procurement of steel could be removed, and the capacities fully utilised, more employment could be generated.

127. Inland water transport system has considerable employment potential in Andhra Pradesh, Assam, Bihar, Gujarat, Jammu and Kashmir, Kerala, Maharashtra, Mysore,



Orissa, Tamil Nadu, Uttar Pradesh, West Bengal and Goa. Lack of proper maintenance of navigable water-ways and the poor organisation of inland water transport have combined to depress employment levels in all these states. If the system approach is adopted, the importance of inland water transport in conferring benefits on the economy of these States would be fully brought out. An economic appraisal of the inland water transport schemes in the above light is necessary.

128. Lack of proper organisations in the riverine States is one of the reasons for the slow progress of the scheme. The question of speedy establishment of necessary organisations should be taken up with the State Governments concerned.

129. Non-availability of dredgers and other equipment is another handicap which needs the attention of the Ministry of Shipping and Transport.

130. All the unimplemented recommendations of the Inland Water Transport Committee should be implemented without further delay.

131. An investment of rupees one lakh in inland water transport schemes will bring about employment for about 75,100 persons. Employment would be found for a larger number of carpenters, fitters, blacksmiths etc., and in trade and commerce.

132. The scope of providing large scale job opportunities in civil air transport is limited.

133. Unemployed commercial pilots should be found alternate employment opportunities in agricultural chemical spraying on crops and plantations, aerial resource surveys etc. They should be treated on par with other pilots in respect of seniority, fitness requirements, etc.

134. The employment aspect of the tourism industry has not received due attention. Most of the schemes have been prepared keeping only the foreign tourist in view. Little attention is paid to attract and provide for the domestic tourists. No studies have been undertaken to assess the potentialities of employment in the tourist industry keeping both the domestic and foreign tourists in view. Compared with big public sector hotels, no cheap living accommodation has been built by the Government for the tourists on the scale desired. Serious thought needs to be given to this problem.

135. The Ministry of Petroleum and Chemicals should examine the employment potential in pipeline schemes.

136. The total employment position including jobs to be abolished and jobs to be generated at various terminals and depot points etc. should at least be balanced in cases of implementation of modern means of petroleum products transportation.

137. The employment potential of the communications programme is considerable. All bottlenecks should be quickly removed and greater co-ordination maintained between the telecommunication services and the development of telecommunications industries so that the Plan targets could be achieved.

138. Employment potentialities under broadcasting and television are not significant.

139. The scheme for providing 100 per cent Central assistance to States employing 30,000 teachers and 240 Inspectors by expanding primary educational institutes should be continued throughout the Fourth Plan period. It should be reoriented at the State level by involving the State Govern-

ments in providing infrastructural facilities. The financial outlays for the purpose should not be based on norms fixed at higher levels of school building and equipment involving heavy investment but should proceed on the basis of what is practicable on the spot and immediately. There should be proper coordination between the Department of Community Development, the Department of Social Welfare and the Ministry of Labour and Employment.

140. The scheme for training graduate engineers and diploma holders in industries needs to be modified. The training institutions should be associated with the scheme in a more realistic manner; some incentive should be given to the factory owners and managers. The Ministry of Education should put the programme on a sound footing by attending to the following:

(i) Public sector projects should have broad staff structure representing whole of India.

(ii) Recruitment should be done on the basis of academic qualifications and vocational aptitudes, skills, display of potential managerial abilities etc.

(iii) Successful trainees should be provided with jobs soon after training preferably in the area of training.

(iv) Unemployment among graduates of Management institutes should be reviewed to reorient admission policies.

(v) There should be a Central directive to the States to compel the institutions to improve training facilities and resist pressures of all kinds.

141 (a) The scheme of intensive training for the promotion of self-employment of III certificate holders and apprentices needs to be better implemented. The periods of training and apprenticeship should be halved, the amount of stipends raised, and the minimum wage rate for engineering workers improved. The training grant should be increased to Rs.100 per month and given to the institutes concerned. They should be obliged to provide employment to the trainees. The contingent grant amount should be increased.

(b) The provisions in the scheme for financial help to be extended to the trainee by banking institutions should be revised in relation to the realities. A State-wise survey should be undertaken to assess the quantum of loans advanced under the scheme.

(c) The Committee of Direction provided under the scheme should go into the deficiencies of the scheme. The concerned Ministries etc., should examine the whole question de novo.

(d) During the Fifth Plan period, the scheme should be reoriented in relation to particular States.

(e) The Development Commissioner, Small Scale Industries, should categorise the institutions in terms of their efficiency and evaluate their commitment to the national objective.

(f) Efforts should be made to motivate the young men who have received training to venture into industrial fields on a self-employment basis with greater confidence and financial backing.

142. Unlike programmes for providing relief employment during drought, famine and similar contingencies, programmes of employment generation have to be based on broad and specific guidelines, realistically conceived and worked out in detail by the concerned Ministries. The Planning Commission has suggested some guidelines but these need to be spelt out in greater detail. Every scheme for

employment generation has its economic, technical, organisational, financial and human aspects. Project appraisals normally do not spell out these aspects and generally lump them together under the head of labour productivity.

143. Guidelines for project formulation should be examined and worked out by the Planning Commission in the form of a Manual and forwarded to all the concerned Ministries. A technical cell, other than the Economic and Statistical Research Wings of the Ministries could be asked to coordinate this work. The Planning Commission should study this question in depth.

144. The scheme for agro-service centres is an effort to rationalise the organisation for sustaining the new agricultural technology; it also affords opportunities for self-employment to technically qualified personnel and attracts them towards the fostering of this technology.

145. The impetus given to tractorisation has somewhat dampened the expectation of employment generation through this scheme. The scheme would benefit only the privileged category and engineer entrepreneurs of the middle level would be by-passed.

146 (a) The scheme was formulated without conceiving a proper method of evaluation of the response of engineer entrepreneurs.

(b) It is doubtful if the objectives of the scheme would be achieved.

147 (a) The question of giving substitutes to the Agro-Industrial Corporations needs to be reviewed. An uncoordinated performance of the agro-service centres would reduce rather than increase employment in the areas where agricultural technology has been generally a success.

(b) The Finance Ministry should issue directives so that deserving entrepreneurs get financial help without much difficulty, especially as regards security and margins.

148. The issues relating to coordination with other Ministries should be given advance consideration before the scheme is expanded.

149. The schemes to give employment opportunities to the educated unemployed including technically qualified personnel prepared by the Ministry of Industrial Development are welcome.

150. The scheme for industrial ventures by Industrial Development Corporations should be reformulated at various stages based on the experience of implementation.

151. To overcome initial hurdles, the State Industrial Development Corporations should be asked to contribute up to 30 per cent of the equity capital.

152. The scheme for engineering cooperatives requires a larger outlay and considerable encouragement. The engineering cooperatives in States such as Kerala and West Bengal need special encouragement.

153. Commercial estates should be developed in suitable growth centres with the help of lead banks and the IDBI.

154. The present policy of achieving consolidation rather than expansion in the scheme for development of industrial estates is endorsed. Areas linked with growth centres should be given priority in the selection of new industrial estate sites. This should receive the attention of the Planning Commission under Intensive Rural Development and from the angle of spatial planning with relevance to the promotion of industrial complexes.

155. The potentialities of starting engineering technicians

(work shop) industrial cooperative societies on the lines of the Kerala Industrial Cooperative Society should be fully explored.

156. While formulating such programmes preference should be given to unemployed engineers and technicians of tested ability and initiative and political pressures should be resisted. The financial outlay for starting industrial ventures by unemployed engineers should be periodically reviewed. The State Financial Corporations should be further assisted.

157. The performance of State Development Corporations should be assessed at the end of the Fourth Plan period to envisage the continuance of assistance during the Fifth Plan period.

158 (a) Before any industrial scheme for the educated unemployed is formulated, there should be an objective evaluation by the Ministry of Industrial Development to see whether its institutional infrastructure including its physical input of able and enthusiastic officers and staff are adequate or not.

(b) The Ministry of Industrial Development has not assessed the dimensions of the problem and has mainly concentrated attention on technical qualifications rather than on their specific aptitude for starting industries.

(c) The social background of the engineer-entrepreneurs should be enquired into before giving financial help to them. Enterprising persons who do not possess degrees or diplomas should also be considered for assistance under these schemes.

159. The scheme of the Indian Oil Corporation for unemployed graduates and diploma holders made slow progress. The new scheme of giving dealerships to disabled soldiers and wives and dependents of the defence personnel killed or missing in war is praise-worthy and should be continued.

160. Agro-based industries covering products of plant and vegetable origin, products of animal and marine origin etc., have great employment potential and export prospects. The schemes prepared by the office of the Development Commissioner, Small Scale Industries deserve all encouragement. Related aspects of crop planning of cereals, etc. need to be looked into by district planning and area development authorities.

161. The Ministry of Labour and Rehabilitation should help the Government in the long run in shaping educational policies and training programmes in the country.

162. The scheme of Rural Engineering Surveys of the Ministry of Irrigation and Power is welcome. The implementation should be evaluated.

163. State Planning Commissions should be set up in all the states during the Fifth Plan period.

164 (a) The scheme for setting up Planning Design Units for Water Supply Schemes prepared by the Ministry of Health and Family Planning is welcome.

(b) A much larger outlay should be provided under the Fifth Plan for rural water supply. The State Governments should focus greater attention on the human problem created by the lack of drinking water, identify villages, and conduct surveys and prepare detailed plans for removing difficulty of rural water supply.

165. The expenditure incurred on family planning programmes is far out of proportion to what has been incurred on the provision of essential services like drinking

water supply which should have been attended to from the very beginning of planning.

166. From the employment angle the old and new systems of medicine with their practitioners have to co-exist although the benefits of modern medicine and hospital facilities should continue to spread under the auspices of State and private initiative.

167. The Ministry of Health and Family Planning should study the causes of the lack of inter-State mobility of doctors and nurses. Efforts should be made to break the barriers to such movement and open employment opportunities in all States.

168(a) Adequate incentives should be provided for training nurses and posting them to States which are chronically deficient in them.

(b) Factors impeding the progress of institutions imparting training to nurses as well as their mobility to different States should be gone into separately and remedial measures devised.

(c) All institutions for training nurses which have been closed because of paucity of funds and lack of State encouragement may be reopened.

169. Incentives should be given for serving in rural areas, and doctors and nurses attached to the primary health centres and sub-centres should be allowed greater scope of activities to enable them to play an important role in the development schemes. Doctors and nurses should be increasingly involved in nutrition programmes, rural housing and slum improvement to the extent they cover the weaker section.

170(a) The proposals of employing licenciates and intermediate category or auxiliary workers in rural areas should be revived.

(b) The earlier schemes included in the Third Plan and implemented only by Andhra Pradesh and Rajasthan should be revived.

(c) Auxiliary workers of the medical profession desirous of improving their professional skill should be encouraged through admissions in medical colleges etc.

171. Homeopaths and Ayurvedic Vaidas should be given special encouragement on a large scale under the CGHS. Better financial assistance should be provided to them and they should be drawn into the primary health centres and sub-centres.

172. The standardisation of drugs may be expedited alongside the extension of the programmes for the cultivation of herbal plants, the reservation of forest area for those purposes and isolation of their active ingredients for eventual use by the Vaidas.

173(a) The Ministry of Health and Family Planning should undertake a multi-disciplinary survey in the countryside with emphasis on the human ecology in relation to dental health.

(b) The present urban concentration of dentists should be changed by creating a class of auxiliary workers to the dental profession which can be trained for service in the rural areas.

(c) There should be greater financial outlay for each primary health centre and sub-centre.

174. There should be greater financial outlays on family planning so that there is adequate scope for employment through the purposive extension of family planning services.

The family planning programme should be dovetailed with social welfare programmes in all backward areas, particularly among the backward classes.

175. Employment in the tertiary sector of hospital and primary health and sub-centres has to be increased.

176. If welfare of the people rather than the rate of growth of GNP is the guiding consideration in the Fifth Plan, housing construction would have to be given a role of priority in national economic development.

177. If, in the first phase, effort is made to make good the absolute shortage in the housing stock i.e., the difference between the number of householders and the number of houses available and to replace the absolutely kutcha hut like units, the backlog in housing would be 24.8 million units—6.7 million units in the urban areas and 18.1 million units in the rural areas. For this, the resources required, at a very modest estimate, would be Rs.9,000 crores.

178. For the growth in population, 21.60 million housing units would have to be constructed during the Fifth Plan period—6 million units in the urban areas and 15.60 million units in the rural areas at a cost of Rs.8,000 crores. These estimates are based on very modest assumptions.

179. As compared with the need, house construction is being done at a slow pace.

180. Public Sector housing investment as a percentage of total public sector investment has gone down from 16 per cent in the First Plan period to seven per cent in the Third Plan period; it is expected to be only five per cent in the Fourth Plan period.

181. Even this meagre allocation has not been fully utilised. The percentage utilization was: First Plan: 63.8 per cent; Second Plan: 84.3 per cent and Third Plan: 80.4 per cent.

182. To ensure that Plan allocations under housing are fully utilized and not diverted, 'housing' should again be transferred to the Central Sector schemes and funds therefor should be earmarked.

183. Because of the inadequate increase in the outlays for housing during the successive plans and the sharp rise in construction costs, the total employment generated in the social housing schemes has been decreasing from the Third Plan onwards.

184. Whereas in 1954 the employment potential for an investment of Rs. one crore in urban housing was of 10.27 lakh man-days the same potential in 1971 came down to 4.37 lakh man-days.

185(a) An investment of Rs.1,600 crores per year in housing for the growing population would generate on-site employment of about 830 million man-days. In addition, to remove the backlog, if Rs.600 crores per year are invested, employment of additional 290 million man-days would be generated.

(b) With the generation of employment on the above scale, there would be additional employment potential of the same order in respect of labour force required for the production of building materials needed for this programme.

186(a) The construction under the various social housing schemes is very small, compared with the size of the problem.

(b) As public sector resources would always be limited, steps should be taken to mobilise greater private resources towards housing.

(c) There is need for increasing considerably the Plan

allocations for housing and removing the bottlenecks of non-availability of finance on easy terms, developed land and building materials.

187(a) Necessary preconditions need to be created to attract private investment in housing. These could be in the form of tax relief on new construction, progressive rates of taxation of house property and adequate flexibility in Rent Laws to provide for rise in construction costs etc.

(b) The absence of specialised institutional agencies for housing finance is increasingly felt.

(c) The procedural part of obtaining loans from the LIC for investment in housing is cumbersome and time consuming. These need to be simplified.

(d) If there is a suitable institutional framework, the unorganised sector of the money market could also be drawn in to provide resources for housing investment.

188. HUDCO advances loans for projects which are preferably quicker in yielding returns; the repayment period is, therefore, shorter and rates of interest higher. Social housing, however, needs finance at a low rate of interest and a sufficiently longer period of amortisation.

189(a) Housing mortgage facilities should be developed.

(b) The absence of mortgage loan insurance system as prevalent in the USA, continental countries, Japan, Australia and New Zealand inhibits larger investment in housing. Such institutions can induce greater confidence in the financial institutions and investors to invest in housing.

190. The problem of administrative and local bottlenecks which might have stood in the way of development of housing co-operatives should be looked into.

191. The urban co-operative banks should advance loans for house construction.

192. The recommendation of the Committee on Unemployment in its Interim Report regarding the setting up of a rural housing finance corporation is endorsed. This deserves to be pursued and implemented.

193. The recommendations of the Banking Commission regarding housing finance are endorsed. These should be given immediate consideration for implementation.

194(a) Urban land values have risen sharply over the years. In this connection, the consensus of the Housing Minister's Conference should be endorsed.

(b) Measures like conversion of free hold land into lease-hold property, restriction of future plot sizes, simplification of land acquisition proceedings, taxing vacant urban lands etc., should be adopted so that all urban and urbanisable lands are available for housing at a reasonable price.

195. Steps should be taken to ensure enough supplies of essential building materials. Production of these should be enhanced.

196(a) Special steps should be taken to gear up the requirements of wagons and speed up their movement for transport of building materials.

(b) Higher priority should be given to the movement of coal from the brick kilns.

197(a) Steps should be taken to increase the production of simple, labour-intensive materials of house construction like bricks, lime, surkhi, timber, roofing tiles, etc.

(b) Small scale industries for putting up lime and surkhi plants should be encouraged through financial help and provision of know-how.

(c) The forest department should take special steps to introduce the use of secondary species of timber by making them available in larger quantities and also providing the necessary seasoning and treatment plants for them. Greater availability of these species of timber will result in more use of timber which is labour intensive than the substitute materials like cement and steel.

(d) In rural housing also, the tendency to use cement and steel can be curbed by improving the technology of use of cheaper materials like mud, bamboo etc.

198. Research and development activity of organisations like the Central Building Research Institute, the National Building Organisation and its Rural Housing Wings should be increased manifold. For this it is necessary to augment these organisations considerably.

199. The lot of the building labour should be improved and they should be provided satisfactory working and living conditions. Steps should be taken to provide some modicum of regular employment to labour employed on site and in the bricks manufacturing industry.

200. If house building activity increases, demand for services of skilled artisans like masons, carpenters, etc., would also increase. For this, the whole programme of training of artisans in the ITI and the apprenticeship schemes should be given de novo consideration by the Government. At present these are not attractive enough.

201. The recommendations of the National Commission on Agriculture in their 'Interim Report on House-sites for Landless Agricultural Labourers', are endorsed. Their early implementation would go a long way in improving the plight of landless agricultural labourers and artisans, a large majority of whom belong to the Scheduled Castes and Scheduled Tribes.

202(a) If the educated unemployed have to be found jobs in the country side, social housing for teachers, doctors, nurses etc. in the rural areas should be given priority.

(b) Proper categories of social housing such as working women's hostels, crèches for children of working women etc., should receive serious consideration in the Fifth Plan.

203. The schemes for the welfare and development of backward classes are not specifically employment oriented.

204(a) States having high percentages of Scheduled Castes and Scheduled Tribes should give better representation to them in Government services under various categories of employment.

(b) A study should be made regarding their placements during the decade 1961-71.

205(a) The working of the pre-examination training centres for Scheduled Castes/Tribes in the States and Union Territories should be considered. Appropriate syllabi and coaching technique should be adopted.

(b) Members of the Scheduled Castes and Scheduled Tribes should be given increasing opportunities for employment in the private sector.

206(a). In all schemes meant for the Scheduled Castes and the Scheduled Tribes in the countryside, there should be proper consultations and co-ordination between the Departments of Social Welfare and Agriculture.

(b) In regard to wage payment, greater attention should be paid to the members of the Scheduled Castes/Scheduled Tribes.

(c) Equitable distribution of wealth generated as a result

of the implementation of schemes and the conferment of property rights on these weaker sections of the society are two important factors which should be taken into account jointly by the Departments of Agriculture and Social Welfare.

207(a) Lack of mobility of Scheduled Castes has militated against their benefiting from the speed of technology and creation of new job opportunities in the wake of implementation of special schemes.

(b) Apart from examining the possibilities of increasing the number of flush-outs etc., in urban housing, a concerted drive should be made to restore the self-dignity of Bhangis and others doing menial jobs by assuring them higher wages.

(c) The Scheduled Castes have to be increasingly drawn into the programmes of youth corps, land army and social welfare schemes.

208. The Department of Social Welfare and the Ministry of Education should see to what extent conditions of admissions to certain important educational institutions could be relaxed on special grounds for the benefit of Scheduled Caste candidates to acquire proficiency in essential skills.

209. The nationalised banks should sanction loans without security to deserving members of the Scheduled Castes who come up with proposals for self-employment.

210. Enterprising members of the educated Scheduled Castes should be inducted for training in crafts, management training and given the benefit of entrepreneurial guidance through institutions and agencies at different centres. If this involves special concessions, institutions concerned should relax rules for admission, fees etc, and accommodate larger numbers to expedite the grooming of Scheduled Caste candidates for effective professional training and employment.

211(a) The intake of Scheduled Caste workers in labour intensive industries continues to be hidebound by anachronistic social prejudice of employers and intermediate level of officers in some undertakings. This must go. There is imperative need for an increasing absorption of these backward communities in the country's industrial labour force.

(b) These aspects should receive special attention of the Department of Social Welfare and the Ministry of Labour and Employment so that suitable remedial measures on a systematic basis are adopted during Fifth Plan period.

212(a) All impediments in the way of electrification of Harijan Bustees should be removed.

(b) Infrastructural facilities should be speedily provided in all villages, adjoining the cities and towns, blocks, districts etc. having large concentration of Scheduled Castes.

(c) Agricultural development, agro-based industries etc. in such areas should receive special encouragement.

213. There are favourable fields of employment for Scheduled Castes in social welfare departments of Government, programmes of child welfare and maternal care etc. There are possibilities of utilizing them for increased production of food, rural transport, family planning and women's welfare etc.

214. Measures of social engineering for the upliftment of the Scheduled Castes should be well-conceived. Wherever necessary, special surveys should be undertaken by the Department of Social Welfare.

215(a) A study group of high level officials of the Department of Social Welfare and the Ministries of Industrial Development and Labour should examine the ques-

tion of absorption of Scheduled Castes, particularly unskilled labour, in centres of industrial activity and highlight the scope for their larger employment in the field of industrial labour.

(b) All Central and State schemes involving absorption of educated Scheduled Castes should be evaluated at the end of the Fourth Plan period.

216. Economic development essentially connotes higher levels of self-employment among the educated classes as distinct from passive dependence on Government initiative in providing job opportunities. All possible avenues for self-employment should be explored and desirable climate created for encouraging young people to do so.

217. During the decade 1961-71, the proportion of self-employment among scientific and technical personnel increased almost in all fields.

218. Arts and commerce graduates and post-graduates have found self-employment to a higher proportion than those in science and engineering.

219(a) There is need for the planned promotion of self-employment and of modifying approach to educational planning.

(b) A network of consultancy services should be set up for promoting self-employment. There is need for preparatory training and attitudinization towards dignity of labour and self-reliance as part of character formation through voluntary organisations like Youth Corps, Land Army etc.

(c) Promotion of self-employment opportunities constitutes the key to transform the social frustration of youth towards constructive national endeavour.

220(a) There is need for consultancy services for promoting self-employment in small scale industries. Such consultancy services should undertake market surveys, provide information regarding financing facilities available through the Government, financial institutions, etc., prepare feasibility reports, help in negotiating financial assistance from nationalised banks, industrial financial corporations etc., and advise on matters of processing and technology.

(b) They would also assist in the procurement of equipment, supervision of construction of industrial units, guidance as regards selection of operators, marketing and inspection of products.

(c) "Mothering" of intending entrepreneurs through a consultancy organisation will involve the services of specialist staff like engineers, marketing specialists, financial experts, inspection staff, etc.

(d) Each such consultancy organisation should not have more than 200 miles radius as the sphere of their activity. One hundred such organisations to begin with (one for at least six districts) should be able to cover all the principal regions of the country that require this type of assistance.

(e) When such consultancy services are started, qualified and experienced Indians serving abroad could be invited to come and join these.

(f) Parallel to these consultancy services, there should be a Small Scale Industries Development Commissioner in each State with a Deputy Assistant Commissioner posted in each district.

221. The "Scheme for the Organisation of Block Level Village Artisans (Balutedars) Multipurpose Co-operative

Societies" prepared by the Government of Maharashtra is worthy of experimentation in other parts of the country. Its objective of reviving industrial co-operative societies for artisans and workers engaged in handicrafts and cottage industries is endorsed.

222. Wherever possible, the traditional skill should be continued to be preserved in the family set-up and not allowed to die out in the process of economic development. There is need to collect data regarding this on a country-wide and continuous basis.

223. From the Plan standpoint, employment generation under any scheme involving wage paid labour in any locality should not draw away skilled craftsmen as ordinary workers or add to the ranks of the illiterate or semi-educated unemployed.

224. The impoverishment of traditional craftsmen for want of incentives should be rectified on an all-India basis so that their self-employment is fully ensured.

225. The relevant recommendations of the Banking Commission, 1972 are endorsed. The implementation of these should be evaluated by the Planning Commission in co-operation with Banks and Industrial Co-operatives before the end of the Fourth Plan period.

226. Socio-economic surveys should be undertaken by the Indian Council of Social and Scientific Research to identify the social and economic characteristics of small and large groups of communities devoted to such occupations but who are perforce affected by the trend of machine-oriented economic development and employment generation and, have, therefore, to give up their traditional skills and take up wage paid labour.

227. Studies should be undertaken to gauge the impact of commercialisation of handicrafts etc., figuring in export trade which do not confer benefits on the artisans. Government should see that the quality of the skill of artisans is safeguarded and greater financial benefits accrue to the artisans in the general process of employment generation.

228. The view of the Bihar Unemployment Committee, 1960 that the safeguarding of the rules of employment of the people possessing traditional skills has an individual and social dimension and cannot be lost sight of in the interest of the country, is endorsed.

229. The State planning authorities should see that prompt and adequate measures are taken to prevent displacement of and creation of unemployment among rural artisans by the deliberate popularisation of consumer goods on a vast scale. In this connection, the view of the Bihar Unemployment Committee 1960 that self employment means the maximum employment of family labour and that directly strengthens the family as a unit, is endorsed.

230. The generation of employment either in the industrial or agricultural sector should be evaluated strictly in terms of its impact on the lives of the larger communities in the adjoining areas. Indian sociologists and economists should devote a good part of their attention and studies on this aspect of the changes taking place in the country.

231. District Collectors should see that particular families of craftsmen who do not want to join any professional co-operative society are not denied financial assistance or opportunity to pursue their avocations.

232. The exploitation of the weak financial conditions of the craftsmen should be stopped and producers co-operatives

organised.

233. Self-employment constitutes a vital part of the subject of full time employment and forms the basic plank of social stability that also safeguards private initiative and the emotional satisfaction derived from the work in a traditional occupation within the household.

234. (a) Youth Corps on the lines organised by the States of Mysore and Tamil Nadu should be set up in all the States. These States should evaluate the working of their schemes before the end of the Fourth Plan period.

(b) Youth Corps schemes should not assume the qualities of subnationalism of the States.

(c) Competent institutions should conduct psychological appraisals of the adaptability shown by the youth to the different tasks assigned to them.

235. States operating Youth Corps schemes should periodically discuss their experiences under the National Planning Commission and examine the possibility of participating of youth from other States.

### Some Basic Issues of the Fifth Plan Strategy for Employment Generation

236. There is no consensus in India regarding the measures to be adopted under planning to attain the objectives of eradication of poverty, alleviation of unemployment and reduction in income disparities. No consistent alternate model has been presented. The Planning Commission cannot dispense with aggregative thinking on a national scale. Nor can it do without the language, concepts and symbols of applied economics. Plan publicity and conscious administrative calibre in implementation of projects alone can bring about the national effort required for economic growth.

237. The Dantwala Committee too had pleaded for a disaggregated picture of the employment position.

238. (a) The rate of economic growth cannot be ignored, but now special attention will have to be paid to the sectoral component of employment generation that is added to the rates of growth from year to year.

(b) Fall or rise in the rate of growth has an impact on the fall or rise in employment levels themselves as a corollary.

(c) There is no agreement among economists about the rate of growth during the Fifth Plan period to provide gainful employment to the bulk of the labour force.

(d) There has been some degree of misplaced emphasis on the rate of growth before the public without proper education of the implications and responsibilities of growth.

239. The Fifth Plan would have to increase the rate of growth to generate enough employment. For this, our aim would have to be a balanced allocation of investment to various sectors; the retarded sectors of the economy having adequate employment potential would have to receive due attention.

240. So far, the Centre has more than fulfilled its share of mobilising resources; but some States are lagging behind in this as well as in organisational efficiency. The Centre must effectively aid such States.

241. (a) The appointment of the Sixth Finance Commission is welcomed.

(b) A qualitative and structural change, particularly in relation to agricultural taxation in the fiscal policy is also required.

242.(a) The causality of unemployment problem or the nature or remedial measures to be adopted have not received enough attention. There is, therefore, no crystallization of view points on any aspect of the issues involved. Much more than planning, publicity is called for to rectify this situation.

(b) Concerted steps should be taken to diffuse information to all sections of the public about the changing phases of Indian planning and processes and quicken the awareness about them and ensure public participation on a larger scale than hitherto.

243. The discussion of the formulation of employment strategy in the context of physical and financial planning first took place in the Second Plan. The importance of planning for balanced growth, both in physical and financial terms, has not diminished in any way now. During the past few years the sequential aspects of project formulation and implementation in various sectors had not received continuous attention. Because of this, projects had been rendered ineffective for employment generation.

244. The balance between the supply of consumer goods and the purchasing power available for being spent and that between savings and investments and between receipts and payments abroad, are some of the points that have not been planned adequately. It is the integration of physical and financial planning that has been defective.

245. Unless the various departments of the Government administration make an intensive study of the different projects from the standpoint of employment potential, their implementation, by itself, will not help to relieve unemployment in the area. Therefore, it will be practicable to consider all planning as physical. Mere earmarking of finances for a project does not help unless the physical resources on which these aims are to be expanded are available. In both physical and financial planning, the principal nexus should be the price structure which would reflect the implication and volume and pattern of investment in any total plan.

246. Before undertaking any Plan project not only the labour input but the total employment potential which will result should be assessed in terms of social cost benefit. Such an approach will be facilitated when there is integrated area development planning that will provide adequate information prior to project formulation for any specific purpose.

247.(a) The view that every plan and its mid-term appraisal should be accompanied by an assessment of the employment levels, reached as a result of the implementation of the Plan programmes, is endorsed.

(b) Like perspective planning, there should be perspective planning for employment generation also for 15 years.

248.(a) As mobilisation of resources for the Fifth Plan through labour intensive schemes has been accepted as a basic principle, it is assumed that this will reduce capital outlays in such sectors where labour intensive technology is adopted in place of machine-oriented technology.

(b) Reallocation of resources under the Plan should not interfere with the existing levels of higher technology and reduce it merely for the sake of promoting labour intensive technology.

249.(a) The raising of the aggregate receipts of the public sector through taxation policies while curtailing luxury consumption patterns should receive special attention during the coming years. In this connection, the action of the Govern-

ment in bringing about a qualitative and structural change in the taxation system by paying more attention to the untaxed agricultural sector is endorsed.

(b) The Centre-State fiscal relations should be put on an even keel so that proper climate could be created in States for formulating and implementing a larger number of projects at the village, blocks and district levels that will generate greater employment in specific areas.

(c) State Planning Boards and Area Development Authorities should assist in lightening the burden of the Central Ministries by taking over the administration of various projects.

250. Deficit financing for the Fifth Plan programmes that serve to increase social benefits might aggravate the levels of inflation potential unless the levels of public and private savings could be augmented through properly designed policies.

251. Taking into consideration the slow growth or the secular nonrise in public and private savings other than forced savings and the wide prevalence of the lack of effective demand among the people below the poverty line, there is sufficient logic to take recourse to a high marginal rate of taxation proposed by Profs. Dandekar and Rath to meet the outlay requirements on labour intensive projects creating social overheads/areas. Thus money would be pumped into the hands of the large labour force and help them to raise their consumption standards and per capita annual expenditure.

252. Viewed in the context of deficit financed economic growth, there is need to place the minimum amount of money in the hands of the people before economic growth or distribution aspects of consumer goods could be thought of now.

253. The absence of enough schemes to employ moderately educated persons is a serious gap in the evaluation of the problems of unemployment and betrays lack of appreciation of the earlier committees.

254.(a) Wherever the educated, particularly technically qualified, unemployed persons have to be selected, due attention should be paid by the organisations and agencies to see that a fair section from the lower and middle income groups are included.

(b) The extent of actual absorption of Scheduled Caste/Scheduled Tribe persons requires to be evaluated before the end of the Fourth Plan period as a prelude to the provision of safeguards in their favour in the Fifth Plan programmes. Absorption of these categories should be done on lines of equitable considerations as a matter of regular practice.

(c) In the Fifth Plan, unemployment should be viewed in the manner of sectoral and sub-sectoral angles of inter-industry inconsistencies and linkages of primary, secondary and tertiary sectors rather than confined to manpower problems of the urban educated unemployed. For this, the coverage of schemes should be extended to include the tertiary sector also with such discriminating classification or trade of professions that the educated unemployed could get absorbed in centres in the rural areas adjoining some towns.

(d) The Planning Commission should see that the State schemes are suitably modified.

255. A de novo examination of the procedure of work of the different Departments and Ministries of the Government of India is called for to remove some obvious incongruities.

256.(a) The proper assessment of the employment potentialities of the secondary sector have been clouded because of the nature of allocation of responsibilities among different Departments etc. This sector requires an employment plan based on inter-industry relationship; modern research techniques such as input-output matrices would be necessary for this.

(b) Multi-sectoral, inter-temporal models of employment generation should find a more important place in employment plans in the future.

257.(a) The collection of statistics relating to employment in a disaggregated fashion is a basic necessity.

(b) Sectors like the construction of railway tracks and roads where employment has actually been generated could be identified. Empirical studies should be systematically conducted to find out the scope for employment generation in such fields.

258. A proper study of the foreign trade activities of selected number of commodities that have found markets abroad and also established themselves within the domestic market, would throw up a good deal of data about the points at which such activities bear the potentialities of generating continuous and gainful employment. Factors leading to the shrinkage in employment in the production and export of particular commodities should be highlighted through appropriate studies by the Ministry of Foreign Trade and the Indian Institute of Foreign Trade.

259.(a) Items such as iron ore and mineral ores of several categories, tobacco, jute, forest produce, tea and similar commodities could be studied from the long-term angle of offering potentialities of employment generation, provided processing and manufacturing activities could be located in areas where the raw materials and other resources are available in abundance. Industrial and regional planning should pay attention to these aspects.

(b) Areas under the new agricultural technology deserve to be treated at par in the matter of wages with industry so that employment levels in agriculture and industry in the developing areas could be stabilised without dislocation through absenteeism, migration etc., caused by wage disparities and seasonality of work in agriculture.

(c) Estimates of States' incomes should be updated so that these could come in handy for policy formulation.

(d) In future, industrial planning should move forward paripassu with employment planning so that focus is given on employment in each industry in relation to its vocational choice.

260. The existing imbalance in economic growth of various States and the slow growth of national income has resulted largely from overlooking the larger perspective of linking employment generation with the establishment of industries. The dispersal of industries should be governed more by considerations of employment generation rather than of regional growth.

261.(a) Employment activities largely operative in the

tertiary sector through the opening of small shops, distribution centres etc., have remained underestimated.

(b) The implementation of the Shops and Commercial Shop Acts and Rules should be reviewed and statistics emerging from this should be collected from the angle of employment potential. Proper attention should be paid to the enforcement of these Acts; legitimate grievances, if any, should be removed.

(c) Problems of evaluation in this connection should receive consideration afresh from the State Planning Authorities and the Planning Commission.

262. All efforts should be made to allow people free and voluntary participation in the planning activities at all levels. Special studies should be undertaken to highlight the potentialities of participation of workers in national planning endeavours at the factory and village levels. Evaluation of Plan awareness among the masses is also called for.

263. The Central Plan publicity programmes should be helped by similar programmes of the State Planning Boards.

264. Participation of the working classes in industry and agriculture has not meant proper involvement of the labour force in planning. The entire machinery and methodology of Plan publicity requires drastic changes.

265.(a) In spite of the fact that industrial management in India has accepted the principle of participation of labour in its ranks, these professions of good faith and other promises made have not been carried out so far.

(b) Even in centralised planning, the participation of workers is very important in the fulfilment of production targets.

(c) Trade unions should be associated at the plant level in respect of some aspects of personnel policies like recruitment, transfer, promotions, job assignments etc.

(d) The subject of associating workers' organisations in national planning matters should receive fresh consideration of the Government during the Fifth Plan period.

(e) Workers' education should receive greater attention, along with adult education, so as to vocationalise their outlook and experience and create a cadre of trained workers. This would increase productivity and ensure commitment of the workers in national programmes for raising output, avoiding strikes, lockouts etc.

266.(a) The mechanisation of menial work done by the Bhangis and others should receive priority so as to restore them self-dignity.

(b) The Ministry of Labour, with the cooperation of academics, should see that the process of mechanisation is smoothened while maintaining or even increasing levels of employment. A psychological assessment of the opposition to simple mechanisation would be a great help.

(c) The attention of the Committee on Unemployment is drawn to the recommendations of the Committee on Automation as regards selective use and application of modern technology, automation and mechanisation.



# EXPERT COMMITTEE ON RISE IN COSTS OF IRRIGATION AND MULTIPURPOSE PROJECTS, 1972.

Report, New Delhi, Ministry of Irrigation and Power, 1973, 290p.

Chairman: Shri J.P. Naegamwala.

Members: Shri N.C. Saxena; Shri S. Gopalan; Shri C.C. Patel; Shri U.K. Verma; Dr. K.C. Patel; Shri B.A. Ansari; Shri S.S. Apte; Dr. N.D. Rege; Dr. K. Venugopal; Shri Prem Kumar; Shri O.P. Chaddha; Shri S.T. Veeraraghavan.

Member-Secretary: Shri B. Sen.

## APPOINTMENT

Since Independence, a large number of irrigation and multipurpose projects have been taken up for construction in the country. While the benefits of irrigation accruing from these projects have greatly helped in increasing agricultural production in the country, the mounting costs and the frequent revision of the project estimates and consequent delay in completion of the projects and accrual of the benefits therefrom have been causing great concern to Government. There has been no scientific investigation so far into the causes leading to the large number of revisions in project estimates. The Government of India have, therefore, decided to refer this question to a Committee of experts so that a sound policy could be framed for formulation and implementation of further irrigation and multipurpose projects. Hence the Committee was appointed by the Government of India in the Ministry of Irrigation and Power vide its Resolution No. DW.II-34(2)/71 dated the 25th January, 1972.

## TERMS OF REFERENCE

The Committee will examine:

(a) the adequacy or otherwise of the existing arrangements for the investigation and formulation of irrigation and multipurpose projects, preparation of feasibility reports and estimates thereof and construction programme including assessment of benefits;

(b) the reasons for rise in the estimated costs of projects leading to their frequent revisions

(c) modification or revision in procedures for more realistic preparation of project feasibility reports and estimates as also improvement in the present system of implementation of projects to ensure their completion within the sanctioned estimated costs and according to the scheduled programmes of completion.

## CONTENTS

The task; Cost escalation of Major irrigation and multipurpose projects; The approach; Planning process in the water resources sector; Data base for project reports; Benefit cost concepts and their measurement; Dynamics of project estimates; Cost escalation due to rise in price; Cost escalation due to inadequate investigation; Cost escalation due to inadequate provision; Cost escalation due to change in scope; Cost escalation due to change in design and additional requirements; Cost escalation due to other causes; Management of Water Resources Projects; Integration of analysis; Recommendations; Acknowledgements; Appendices from 1-9.

## RECOMMENDATIONS

### Investigation and planning of projects

For investigation of projects in general, each State should have a broad-based organisation involving all disciplines (engineering, geology, hydrology, revenue, agriculture, etc.) so that work is done by persons experienced and expert in each of the specialised fields.

Immediate steps may be taken to set up a standing committee for the development of basic data required for planning water resources projects; such a committee must establish liaison with appropriate governmental agencies engaged in the development of data; the committee must prepare annual programmes for data collection and analysis.

A minimum standard for factual information which a project report must meet before it can be considered for acceptance should be established.

Steps should be taken to see that researches are continued to improve techniques of data analysis; programme of in-service training to impart recent technical know-how in this subject must also be developed.

Steps should be taken to improve data status:

Hydrology: More rain gauge and evaporation regarding stations; scrutiny and analysis of existing data through computer; more surface water gauging stations; temperature recordings at these stations to be increased; more intensive ground water survey; more observation wells; more samples for analysis of chemical and sanitary quality of water.

**Sedimentation:** More stations for sampling of sedimentation loads; more survey of reservoirs; scrutiny and analysis of existing data.

**Topography:** An annual programme of adequate magnitude for topographic mapping must be prepared; topographic mappings of critical areas must be completed first; maps must be updated from time to time.

**Geology:** The country must be covered by standard geological maps showing surface as well as structural geology for water resources development. Certain time targets may be specified for this purpose.

**Soils:** Nationwide soil classification and mapping must be completed within a certain period depending upon the resources; more co-ordination of activities between the agricultural and engineering departments; cadastral surveys must be completed as early as possible.

**Vegetation:** Forest surveys must be completed within a reasonable period.

**Fish and Wild Life:** Information on population, trends and densities of fish and wild life species must be collected.

**Socio-economic:** Such data on population, means of livelihood, transportation, trade, industrial production, power and flood damages not regularly collected by existing agencies must be covered; necessary geographic and time-breakdowns must be obtained; necessary data on agriculture may be obtained through the National Sample Survey Organisation (Cabinet Secretariat); similar data on industry and mining through surveys carried out by the Central Statistical Organisation and the Indian Bureau of Mines; data on recreation should be collected through surveys to be conducted by the Department of Tourism; data on domestic and industrial water supply must also be collected through appropriate agencies; data on water pollution must be collected through the Department of Health and special surveys; effect of land management on watershed hydrology must also be studied.

Steps should be taken to set up national and regional water data banks for the storage, retrieval and analysis of data collected by various agencies.

Adequate monetary incentives as well as other compensatory benefits should be provided in order to attract bright and enthusiastic officers to come forward and undertake field investigation assignments under arduous conditions of life.

Suitable funds should be allocated for investigating properly the projects proposed. Apart from this, allocation could be on earmarked basis for investigation of specific important and complex projects. Very big projects consisting of over Rs. 30 crores require a more strict treatment. In their case, the first stage should invariably be the sanction of an investigation estimate on the basis of the preliminary project report or re-connaissance report. The outlay on such an estimate could be as much as 5% of the anticipated total cost of the scheme and should be sufficient to enable a well-manned organisation to be set up at the project site for carrying out thorough investigations and preparing detailed estimates in terms of accurate data on quantities etc. The organisation should be headed by a senior engineer who could be expected to take over the execution of the project also in due course.

The C.W. & P.C. should associate itself closely with the investigation set-up by the States and give them necessary guidance and assistance in their work.

The guidelines laid down by C.W. & P.C. for the minimum investigations to be carried out before preparation of a project report and estimate for approval of the Planning Commission should be strictly followed for preparing the reports and estimates of all major irrigation and multipurpose projects in the country.

C.W. & P.S. should prepare and issue guidelines for investigation of drainage part of the schemes.

Studies regarding outputs of indigenously manufactured earthmoving machinery should be carried out by C.W. & P.C. and norms laid down.

Selection of construction equipment and choice of construction procedures is a specialist's job. Steps should be taken by the State Governments for pooling the expertise available with them and creating a cell which would advise and help the project formulation agencies in the preparation of construction schemes, equipment selection and plant layouts.

State Governments should make a more thorough arrangement for collection and maintenance of the basic data required for working out the benefit-cost ratio viz., cost of inputs like seed, manure, etc., value of outputs like produce, fodder, etc. and operation and maintenance charges of irrigation projects.

There should be someone like the area development authority in every State who should be responsible to continuously watch all the developments brought by irrigation so as to maintain an integrated view of the area. In every State socio-economic studies for evaluation of benefits derived from the projects after completion should be taken up and done periodically by suitable agencies in association with the planning departments, universities etc. This would help in framing future policies to effect further improvements.

With a view to reducing pressure on the financial resources of the country and ensuring economic utilisation of the capital and equitable distribution of projects, these should be planned in phases and taken up phase by phase.

To avoid change in scope of a project (such as, increases in area to be irrigated, increase in power generation capacity or increase in flood control benefits) during construction the project should be planned more comprehensively at the early stage.

There is no objection in principle to the change in scope during construction provided the incremental cost is justified vis a vis the next best available alternative.

There is, however, serious repercussion of this change. Because of increase in scope the cost goes up and the entire planning of resources is thrown out of gear. Whether to agree to the changes in scope has to be decided taking into account the economic constraints—availability of funds and resources in the context of overall planning. On this consideration changes in scope may be avoided.

However, changes in scope during construction may be allowed in situations where, by not making changes in the project feature, the chances of effecting increase in scope are permanently jeopardized.

In case changes in scope have to be accommodated after the approval of the project, the additional works should, wherever possible, be sanctioned as separate schemes whose costs have only to be arithmetically added to the earlier project to find out the total cost.

When it is not possible to bring up a separate scheme to

cover the changes in scope, the estimate of the project with the increased scope should be sanctioned as a "modified project" and not merely as a revised estimate.

#### Preparation of project feasibility reports and estimates

No change in the existing administrative procedure to prepare plan estimates at current prices is called for. However, as an instrument of planning it would be unrealistic if no arrangements are made to take notice of the crucial factor of inflation. For this purpose, a suitable cushion should be devised which may fit in with the governmental financial mechanism. Approval of a scheme takes some time. Commencement of real construction work after approval also takes time. Then comes the construction period. To cover the increase owing to economic changes over the long period, an appropriate indicator of price rise (i.e. an adjustment factor) should be constructed and the increase so obtained added to the estimate as a 'supplementary provision' for adjusting cost estimates of plan projects.

An adjustment factor of 7% per year should be adopted in working out the 'supplementary provision' for adjusting the cost estimates of plan projects. In applying this factor the estimated cost of the project should be relieved of the cost of land and only 50% of this factor should be considered for the period of actual construction. (As regards cost of land, refer to recommendation No. 26.)

The adjustment factor should be reviewed from time to time after taking into consideration all aspects of the economic situation in the country. For this purpose the Central Water & Power Commission should have a permanent study cell for collection of data and preparation of Construction Cost Index for the works of river valley projects.

To cover cost increase due to changes in design and additional requirements at the time of detailed design and construction which invariably occur in river valley projects because of their complex nature, additional provisions should be made in the estimate prepared at the feasibility report stage under a head which may be called "Margin of error".

"Margins of error" indicated below are recommended for various types of works. The recommendation is made on the premise that the preliminary designs are based on adequate investigations at the initial stage.

Headworks 10 to 15%

Tunnel & other underground works (in Himalayan region) 30 to 40%

Distribution System

(i) Primary System (consisting of main canals and branches) 10 to 15%

(ii) Secondary System (consisting of distributaries and minors) 20 to 25%

(iii) Tertiary System (consisting of minors and water courses) 25 to 30%

Hydro-electric Installations (Civil Works) 40 to 50%

Drainage Works 20 to 40%

(The margin would be on the lower side for alluvial soils and high in case of other types requiring more drainage.)

The margins of error obtaining for different types of works should be constantly studied and periodically reviewed for adoption of any revised standards in future.

A Central Committee consisting of concerned officials

may be formed and assigned the task of evolving a standard approach for adopting the rate of compensation for land which would recognise (i) a fair deal to those affected and (ii) prevent any artificial increase in the cost of land.

There is no uniform policy regarding scale of rehabilitation measures. A broad national policy on rehabilitation should be laid down with provisions for reasonable modifications being permissible on the merits of each case.

Once full compensation has been made for the land and property acquired, any additional expenditure incurred towards creating a new and better environment for those displaced on account of construction of the project is purely on social and welfare considerations and is not a proper charge to construction. Although there may not be any alternative but to charge this to the project cost, it may be excluded for benefit-cost analysis.

Planning for construction equipment should be given due importance right from the stage of formulation and the project report should contain a complete blue-print of construction procedures and types of equipment proposed to be used in the execution of the project.

Realistic assessment of the outputs of indigenous earthmoving equipments should be made while estimating the unit costs.

Alongwith the preparation of the feasibility report for a project, a feasibility plan for drainage should also be made available and cost thereof provided in the estimate.

Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) network may be attempted right from the project formulation stage so that the programmes so drawn up can form part of the project report.

For guarding against inadequate provisions in project estimates, more care should be exercised in framing the estimates by those concerned with their preparation, as also those who check them. Advantage may be taken of the finalised cost figures incorporated in the completion reports of already executed projects. In this context the Committee strongly recommends that the preparation of completion reports, which has not been given adequate importance in the past, should be insisted upon to be finalised within two to three years of commissioning the project.

The set up for technical examination of projects in the C.W. & P.C. needs to be streamlined and suitably strengthened. It has also to be seen if examination of the same aspect in the project report by two departments can be dispensed with to avoid delay.

It is understood that in pursuance of the suggestion made in the report on 'Criteria for Appraising the Feasibility of Irrigation Projects' published by the Planning Commission in 1965, a Working Group was constituted by the Planning Commission comprising irrigation experts, economists and planners for preparing a manual of standard procedures and methods for working out the benefit-cost ratio. It is further understood that the draft manual so prepared is under wide circulation for eliciting comments and suggestions. While finalising the manual the Planning Commission may go into the question of the procedure for assessment of benefits in depth and indicate clearly the data which will be required to be collected for the purpose of working out the benefits and costs, illustrating at the same time the methodology to be followed step by step in arriving at the benefit-cost ratio. The cost of developing land for irrigation when it newly comes to

a region should not be missed in working out the B.C. ratio.

### Implementation of projects

In connection with the setting up of Control Boards for the construction of irrigation and multipurpose projects, the views and recommendations of the Irrigation Commission as given below are endorsed for acceptance:

"We consider that all large inter-State projects and any State project consisting of Rs. 500 million or more should have a Control Board. Even for projects costing less than Rs.500 million but which are of a complicated nature, a Control Board should be delegated the maximum powers and should, in turn, be liberal in delegating powers to the Chief Engineers of projects in the interests of efficiency.

In States where several projects are under construction a single Control Board with standing committees for each project would suffice. This would help to promote the best use of man-power and equipment.

Where a major project receives special financial assistance from the Union Government, the centre should be adequately represented on the Control Board".

For a major river valley project there must be a Chief Engineer or a Project Manager posted exclusively for its execution.

It is essential that the person in charge of execution of a project is vested with appropriate authority—both administrative and financial so that he may discharge his responsibilities unhesitatingly. There is thus a very cogent case for delegating more powers to the Chief Engineer/Project Manager even when there exists a control Board for overall direction as regards planning and execution. A team of officials including technical officers from various projects in the country may be set up to go into the question of delegation of enhanced powers to the Chief Engineer/Project Manager and his executives and draw up a model for adoption in the projects to be taken up in future.

There should not be too frequent changes in the key personnel entrusted with the execution of the projects.

For a successful implementation of the development programmes, there is a strong need to have competent project managers. To create a nucleus of such experts, senior technical officers who show an aptitude for project management should be earmarked for special training.

A comprehensive institute should be set up at the Centre and preferably in C.W. & P.C. for training in the water resources sector of all officers—engineers, geologists, accountants, planners and managers who are engaged in project works. At the State level also there should be training facilities in the water resources sector for junior officers of the rank of supervisors, junior engineers, etc. The existing facilities like Water Resources Development Centre at Roorkee and Administrative Staff College at Hyderabad should be utilised fully till such time a comprehensive institute at the Centre for training in water resources sector comes up.

The use of all the modern management techniques based on "System" approach in the implementation of river valley projects is strongly advocated.

For the introduction of the modern management techniques it would be necessary to have properly qualified staff in the organisation. Moreover, persons at all levels of

management will have to be fully conversant with these techniques. Adequate arrangement should, therefore, be made for the training of project personnel for this purpose.

A detailed plan of work should be chalked out and schedules drawn up visualising each important activity and taking into account the limitations and inter-relationship of one group of activities with another by the use of modern programming techniques.

It is necessary in case of major projects to adopt the modern systems and techniques of Material Management and Inventory Control.

It is important to establish Cost Engineering Cells on major projects as already advised by the Ministry of Irrigation and Power which will go a long way in controlling costs and keeping the estimates up-to-date.

A Management Information System designed to provide information on cost and time for use by the Project Managers for decision-making be devised.

For exercising efficient financial control during execution of river valley projects, Performance Budgeting System should be adopted.

Ministry of Irrigation & Power may take necessary steps at the highest level to bring pressure on the manufacturers of indigenous equipment which are in both private and public sectors for giving better service to their customers.

In allocation of financial resources irrigation and multipurpose projects should receive very high priority and adequate funds so that all projects approved by the Planning Commission are completed in optimal time and further escalations in cost due to protracted construction period are avoided.

Advance programmes for stock-piling of construction materials and spare parts should be made very carefully by engineers with experience and foresight.

Some reasonable advance stock-piling of construction material and spare parts should be permitted.

Wherever possible, a cement factory situated near a project requiring a very large quantity of cement for its construction could be linked to the project.

In deciding the agency for execution of project the following policy should be followed:

In general, for big jobs, execution through departmental agencies should be encouraged.

Projects which are of complex nature and where there is possibility of changes being effected as a result of further investigation during pre-construction stage, should invariably be executed by departmental agency.

Projects which are fairly well defined can be got executed through contractual agencies if suitable contractors come forward.

When work is handed over to a contractor, arrangements could be made to provide him with sources of easy finance, cheaper and quicker supply of materials and other conveniences so that he can execute the work quickly and economically. Such measures would also help remove scarcity of good contractors.

Everything else remaining the same, when the project is labour-intensive, it would be better to get it executed through the contractor, while a project which is capital (machinery) intensive could be carried out departmentally.

For expediting the acquisition of land and to prevent delays in the execution of projects and consequential rise in

costs the following recommendations made recently by the Land Acquisition Review Committee set up by the Government of India are endorsed for implementation:

(i) The setting up in each State of a Directorate of Land Acquisition under a Member of the State Revenue Board, which would be responsible for land acquisition;

(ii) a regular monthly review of progress at the Collector's level;

(iii) adequate pre-planning for the acquisition of land required by projects and the issue of notifications specifying

the project areas. These notifications would be valid for two years within which period the land would have to be acquired;

(iv) prescribing time-limits for the Directorate of Land Acquisition to complete acquisition proceedings; and

(v) special powers to deal with specific emergencies.

Special land acquisition officers should be earmarked for major projects so that they can give their undivided attention to the project work.

## REVIEWING COMMITTEE OF REGIONAL ENGINEERING COLLEGES, 1972. Report, New Delhi, Ministry of Education & Social Welfare, 1974. 161p.

Chairman. Dr. Jai Krishna.

Members: Prof. P.J. Madan; Prof. N.C. Saha; Prof. R.G. Narayanamurti; Prof. D.Y. Phadke; Prof. Moonis Raza; Shri O.P. Mohla; Shri. K.B. Sivaramakrishana; Prof. E.C. Subbarao. Dr. M.G. Krishna.

Secretary: Shri D.V. Narasimhem.

### APPOINTMENT

Following the decisions of the Government of India taken in 1958 and 1960, 14 Regional Engineering Colleges were established, one in each of the major States, during the period 1959-1964. One more (15th) in Silchar (Assam) is under establishment. With a view to (a) assessing the financial requirements of the R.E.Cs. during the latter part of the 4th Plan period and in future, and (b) finding ways of distributing responsibilities between Central and State Governments for funding the P.E.Cs., the Planning Commission discussed the subject with officers of the Ministry of Education at a meeting held on 16th February, 1971.

At that meeting of the Planning Commission, it was decided that the Ministry of Education might constitute a high powered committee to consider the question of the future set-up of the Regional Engineering Colleges and the pattern of their financing from Central and State resources. This committee should inter-alia consider the question of affiliation of the Regional Engineering College to the Zonal Institutes of Technology and other academic and administrative matters pertaining to the scheme, like the recruitment of staff and their inter-changeability amongst different institutions. Accordingly, the Ministry of Education appointed a Committee vide their letter No. F.19-33/71-T.4 in 1972.

### TERMS OF REFERENCE

- (a) To visit the Regional Engineering Colleges and report on their present stage of establishment and development including course of study and standard of faculty, admissions and other instructional facilities.
- (b) To report on the present organisational and administrative structures of the Regional Engineer-

ing Colleges vis-a-vis the aims and objects for which the colleges have been established.

- (c) To recommend the future set up of the colleges, including pattern of financing, from Central and State resources to ensure their functioning as all-India institutions of high quality and standard.
- (d) To report on the practicability and desirability of affiliating or associating the Regional Engineering Colleges in a suitable manner, with their respective institutions of Technology for all academic purposes, including exchange of faculty, common courses, etc.

### CONTENTS

Formation and Work of the Reviewing Committee; Establishment of Regional Engineering Colleges; Aims and Objectives of the Scheme; Admissions, Faculty and Standards; Future set up of the Colleges; Present Position and Plans of the Colleges for Further Development; Summary of Recommendations; Annexures I to XII.

### RECOMMENDATIONS

On account of the background, intentions and later developments, the Regional Engineering Colleges should appropriately be renamed as Central Engineering Colleges.

We would recommend the closure or postponement of admissions to post-graduate courses where the wastage is higher than 70% of the intake in the corresponding year or where the admission is less than 30% of the sanctioned intake for same years in succession.

To achieve the objective of national integration and improve the quality of admission to the colleges from other States, we suggest:

- (a) full rail concessional fares by third class be provided once in a year to students from other States whose homes are more than 500 Kms. from the colleges—the fair for the first 500 Kms. will be borne by students,
- (b) the existing number of scholarship (merit-cum-means) available in each college should be divided equally between the students from within the State and those from

other States, and

- (c) colleges should provide opportunities for students from other States to imbibe something of the language and culture of the State.

Admissions to all the Central Engineering Colleges should be made through an entrance examination for both the State quota of seats and the quota of seats for other States according to accepted pattern and choice of candidates.

There should be properly constituted selection committees for all categories of posts and healthy conventions should be established and maintained in the matter of appointing experts. Posts should be advertised on an all-India basis and selections arranged with enough notice to candidates and experts. Travel expenses for persons called for interview should be paid as in the case of Institutes of Technology.

The emoluments, service condition and benefits for teachers of Central Engineering Colleges should be the same as for corresponding staff of the Institutes of Technology.

There should be a thoroughly prepared approach on the part of the institutions in establishing post-graduate courses.

The teaching loads for the staff of the Central Engineering Colleges should be in accordance with the recommendations of the All-India Council for Technical Education.

In the recruitment of teaching staff, sufficient care and emphasis should be laid on the professional experience and competence of the candidates.

The present practice of all teaching posts being filled by advertisements and open selection on a competitive basis is a very healthy practice and should continue.

The post of Associate Lecturers should all be converted without further delay into those of Lecturers and further recruitment should take place only at the level of Lecturers.

The organisation and programmes of Central Engineering Colleges should be linked up with other engineering colleges in the States.

For best results out of the investments made, the Central Engineering Colleges should be fully autonomous in academic matters.

There should be a Council of the Central Engineering Colleges with overall powers for both academic and administrative purposes.

The Council of the Central Engineering Colleges should be established by an Act of Parliament with powers to confer degrees and distance grants. It should have the constitution, functions and organisation indicated.

The individual colleges should have autonomous Boards of Governors with the suggested composition and should be set up by the Central Council.

Each college should have a College Academic Committee and Departmental Boards of Studies with the composition indicated for each.

Senior Teaching Staff positions in the Science and Mathematics Departments should, in future, be filled, as far as possible, by persons initially recruited in engineering institutions and who have applied themselves to the specific needs of engineering studies and established their further work and achievement in this direction.

There is no justification in Science and Mathematics Departments running 2-year M.Sc. courses after B.Sc.

Teaching plans at the under-graduate level should be

worked out through joint committees of Science and Engineering Departments.

In Central Engineering Colleges, the interface of social sciences with technology should be developed by organising indepth programmes in selected areas, each college concentrating in a suitable area, having regard to the regional needs.

The core faculty in Humanities and Social Sciences should consist of experts in communication skills and those in the selected area of specialisation. The rest of the programmes may be handled by part-time teachers.

The Central Academic Board of the Council should take steps to get reading material in specialised areas of Social Sciences relevant to Indian conditions.

Interested and competent staff members of the colleges should avail themselves of opportunities for research grants provided by various establishments.

The Central Engineering Colleges should follow the guidelines indicated for the establishment of post-graduate courses.

There should be a provision of Rs. 20 lakhs annually for all colleges to support individual research projects on merits if they cannot get support from other agencies.

The colleges should undertake consultancy work and build a research fund. The Central authority may make matching grants to the research funds of the Central Engineering Colleges.

Links should be established between the Institute of Technology, the Central Engineering Colleges and State Technical Institutions in a region for the best use of facilities, transfer of experience, conduct of valuable short courses with joint expertise and utilisation of library facilities.

Additional provision of funds for staff exchange programmes should be made, if necessary, and this may be included in an expanded quality improvement programme.

Individual liaison, Student Welfare and Discipline should be brought under a new Department—Department of Industrial Liaison and Student Welfare—with a senior Professor in charge.

If rotation of headship is to be introduced it should be confined to staff having over 15 years of total professional standing.

A new procedure for confidential reports on teaching staff may be evolved which should include confidential feed back from the students on the teaching ability of the individual teachers.

Salary scales, allowances, service conditions and benefits for teaching and non-teaching staff should be identical with those fixed for corresponding posts in the case of the Institutes of Technology.

Financing of the colleges from two sources is not very satisfactory and future financial responsibility for the colleges should be entirely from the Central source. If necessary, adjustments should be made for the recommendations made by the Finance Commission regarding devolution of resources to States in respect of Central Engineering Colleges.

Colleges which completed their equipment programme for under-graduate courses and which have more than 10 years standing, should be provided Rs. 5 lakhs and those between 5-10 years standing Rs. 2 lakhs for replacement of equipment.

Colleges which could not complete the equipment

programme should be compensated for rise in prices in the manner indicated.

Each Central Engineering College should have facilities indicated. Such of those facilities for which financial provision is not made in the initial scheme should now be provided with funds.

Outstanding amounts of loans paid for the construction of hostels and staff quarters should be treated as grants and

the rents realised should be credited to the income of the colleges.

Approximately an amount of Rs. 18.5 crores will be needed during the 5th Plan period for completion of the original scheme, implementing the recommendations made in this report and further development. Of this, the cost of implementing the recommendations made in this report is Rs. 6.00 crores.

## WORKING GROUP ON EDUCATION, 1972.

Report, Delhi, Controller of Publications, 1974. 55p. +vii.

Chairman: Dr. L. S. Chandrakant.

Members: Dr. P.K. Kelkar; Shri. D.P. Nayar; Shri. T.R. Doss; Shri. K.N. Butani; Col. S.G. Pendse; Shri. D.V. Narasimhan; Dr. S.N. Saraf (Resigned, replaced by Shri J. Veeraraghawan).

Secretary: Prof. T.C. George.

### APPOINTMENT

The Expert Committee on Unemployment constituted this Working Group on Education in 1972.

### TERMS OF REFERENCE

To suggest specific programmes for promoting productive employment and self employment of the educated unemployed in general and the unemployed technical personnel such as engineers, technicians, etc., in particular, and to suggest measures to rectify the imbalance between the out-turn of educated and technical persons on the one hand and the available employment opportunities on the other.

### CONTENTS

Main Conclusion and Summary of Recommendations; Introduction; Magnitude of the Problem; Review and Recommendations; Appendices I to VI; Tables I to VII.

### RECOMMENDATIONS

The problem of drop outs particularly at school stage has been persisting and little progress has been made in reducing its extent. Out of 100 students joining class I only 40 reach Class-V and 25 reach Class-VII. Similarly, the percentage of students reaching higher secondary stage is only about 16. The majority of these drop out students join their parental occupation, particularly agriculture in rural areas, where there is not much scope for adding more to the labour force and thus add to the problem of underemployment. A suitable job-oriented programme of informal education and training will have to be drawn up for these 'off the stream' students so as to prepare them for self-employment at a higher level of efficiency in their parental occupations or for other emerging

trades and occupations in the rural areas on employed or self-employed basis.

The huge expansion in the field of education without its link with economic development or employment opportunities, has led to the problem of imbalance between the out-turn of educational institutions and their demand, resulting in the huge surpluses of educated manpower in the country. The problem of matching the demand and supply of manpower in the country has assumed a particular significance in the context of the growing problem of the educated unemployed in the country. The assessment of demand and supply necessitates a proper manpower planning.

The necessity of setting up a proper organisation for continuous manpower requirements and its linkage with enrolment pattern is emphasised.

The emphasis in manpower planning is to be shifted from the problem of shortages of manpower to the problem of utilisation, coordination between education/training and the specific requirements of the economy and the generation of employment opportunities to absorb the growing addition to the educated labour force.

The solution to the problem of the educated unemployed lies in increasing the overall employment opportunities by creating conditions for rapid economic growth. The educational system as such can do little in creating direct employment opportunities except for the few educated unemployed like teachers and educational administrators. But the basic remedial action lies in the increase of the rate of economic growth.

The expansion of elementary education is one of the programmes in the education sector which can generate direct employment opportunities for educated unemployed, particularly teachers. A phased programme of enrolment targets for primary and middle stages of education upto the end of the Fifth plan is suggested so as to achieve the target of 100% enrolment for the children of the age-group 6-11 and the target of 75% enrolment for the children of the age-group 11-14 by the end of 1978-79. The implementation of this programme, besides helping in the achievement of the Constitution's directive of free, compulsory and universal education for children upto the age of 14, is likely to generate direct additional employment opportunities for nearly 150 lakh teachers and 1200 assistant inspectors of elementary schools every year, in addition to the normal replacements

and other ministerial staff.

Another programme that can help in generating direct employment opportunities for the educated unemployed within the education sector is a massive programme of 'Mass Literacy'. The implementation of this programme during the Fifth Plan, besides reducing the incidence of illiteracy in the country, will generate direct employment opportunities at the rate of 80,000 places annually for teachers for adult literacy classes.

The Central Government should consider the need for some form of legislative measure to ensure employment of requisite number of engineers and technicians in industries according to the prescribed scale of production.

The public works departments of the State Governments should insist upon a suitable ratio between the number of engineering personnel employed by a contractor and the size of the work concerned. It will be still better if State Governments encourage unemployed qualified engineers themselves to become Government contractors either individually or on cooperative basis. In fact, better results will accrue if the public works departments of the Government take up more and more engineering works departmentally instead of getting the work done through contractors as this will lead to more employment opportunities.

Planning units for engineering designs and project reports may be created by all State Governments, where these are not in existence, and expanded in those places where these are in existence. These units should undertake in large number advance surveys and investigations of a number of irrigation and multipurpose projects, which will generate a large quantum of employment opportunities. More research and development institutions could be set up for creating more jobs for technical hands.

A massive programme of construction in rural areas, including housing, roads, markets, godowns, etc. and an equally massive programme of housing in the urban and metropolitan areas can generate employment opportunities.

The present surpluses of educated personnel in the country are due to the slow rate of growth of the economy and the inability of the organised sector to absorb the outturn of the educational institutions. There is therefore a need to tap the unorganised sector of the economy where there is great scope because of the 'Green Revolution'. A suitable training and orientation programme may be drawn up under which local talent may be geared to the expanding activities and needs of the rural area with a view to provide self-employment to the educated unemployed in the regions.

The general complaint of the professional employees is that they are not getting the right type of workers. The products of our technical institutions have no practical experience of the jobs for which they are wanted. It has been emphasised that suitable training programmes may be drawn up for providing orientation training to the unemployed technical personnel to make them employable for the specific jobs for which they are wanted. But unless and until the physical targets and directions of economic growth are clearly indicated, it would be difficult to suggest any programme for training. Also for drawing up any programme of training an agency should be set up to collect requisite data and information on continuing and systematic basis in order to identify the emerging trades and occupations having employment potential.

Some schemes of short-term training are being run by D.G.E. & T. for technical personnel. These may, however, be reviewed and rationalised in view of the changing needs of the occupational pattern. It is suggested that short-term training programmes varying between three months and six months and in some cases extending to one year's duration should be started to impart employable skills to the educated unemployed also for upgrading the skills of persons for jobs requiring higher skills.

The State Governments should patronise and encourage self-employment of engineers and technicians. The schemes of Kerala and Gujarat in this regard may be taken as guidelines by other States.

As regards the long-term measures, it is observed that there has been a criticism of the present system of education for its having too much academic and literary bias and encouraging rote learning and passive receptivity. A link between education and productivity has to be established. Although education as such can do little in creating employment opportunities outside the education sector, it does stimulate generation of employment through the development processes to which it makes a significant contribution and through the development of human resources which facilitate the adoption of advanced technologies, production of newer types of goods and services and through increasing the demand for consumer goods. For this, the present educational system should be revamped so as to make education job-oriented with a technical bias right from the elementary stage of education in order to improve the employability of its products, and to change the attitude of the products of educational institutions in the matter of seeking white-collar jobs. Work experience as a part of general education at the above primary and lower secondary stages may be adopted. At the secondary stage of education, vocationalisation of education besides a programme of work experience in general education upto the lower secondary stage may be adopted and this should normally terminate at the end of the 10th class.

In the field of higher education, the general criticism is that there has been an unplanned expansion of education at this level. The enrolment at this stage of education has shown a faster rate of increase than at the primary and secondary stages of education. This top-heavy, lop-sided development of educational structure has defeated the objective of education to be purposeful, productive and employment oriented. Restrictive admission has been suggested as a corrective measure for curbing the rush for higher education. But in a democratic country like ours, it is extremely difficult to control entry to the higher education. The ever increasing rush towards universities for higher education is not a reflection of the students' lust for scholastic or cultural sophistication. In fact, in many cases, it indicates a push from the employment market. To that extent students going in for higher education are actually unemployed in disguise. In the existing social and employment norms, a large majority of persons seek higher education to increase their chances of employability. In the circumstances unless and until employment opportunities are increased rapidly by accelerating the economic growth and the present system of insisting on degree as a pre-requisite minimum qualification for any employment is revised, very little can be done in controlling the rush to the universities for higher education.



It is often complained by the employing agencies particularly industries that they are not getting the right type of persons from the technical institutions. They have to be provided with some practical training before they are fit to be put on the jobs for which they are recruited. It is suggested that (a) the training imparted to the craftsmen must lay stress on working skill in particular trades and it must be correlated as far as possible to the requirements of the industries located in the vicinity; (b) for the training of personnel for middle and supervisory posts, the diploma course must include some engineering fundamentals and knowledge of labour management but the greatest emphasis must be laid on working skill; (c) in degree course also great stress be laid on practical training aspects and training should be made compulsory and be a part of the curriculum; and (d) there should be a machinery through which the expectations of the employers regarding the kind of training they expect in their prospective employees and the number in each category that may be required may be communicated to the teaching establishments. For this, effective association of the potential employers of engineering personnel with the formulation of courses of studies and trainings by boards of studies and faculties of various universities and other bodies that award certificates and diplomas in engineering subjects, is necessary. The industrial establishments must take kindly to the idea of providing training facilities to students and consider them as their potential assets.

The following steps/studies may be undertaken for forging the desired relationship of education with employment opportunities:-

- (i) The Government with the help of agencies like IAMR and DGE & T should evolve a machinery to identify on a continuing basis the requirements of technical personnel for manufacturing units by making an occupational analysis of the data on vacancies intimated to employment exchanges and also follow-up action of the legislative measures at present in force under which industries are required to intimate vacancies to employment exchanges.
- (ii) Some machinery should be evolved at the Centre and State headquarters which should undertake perspective manpower estimates of selected categories of manpower on a continuous basis, which should, as far as possible, form the basis of educational planning.
- (iii) Field surveys particularly at district level should be undertaken periodically to analyse the changes in the occupational pattern of the economy both in the organised and un-organised sectors. The resulting information should be made available to the educational authorities for giving proper guidance to the students for choosing their courses of study.
- (iv) The statistical machinery charged with the collection of educational statistics, both at the Centre and in the States, should be suitably strengthened, so that the required data for manpower estimates, studies and planning may be made available with the minimum time-lag. At present, data with a time-lag of 4-5 years only are available and is thus not helpful for making further studies and estimates.

## RESERVE BANK OF INDIA, WORKING GROUP ON FINANCE FOR THE COAL GROUP, 1972.

Report, Bombay, Reserve Bank of India, 1972, 58p.

**Chairman:** Shri P.C.D. Nambiar.  
**Members:** Shri S. J. Utamsing; Shri R. Lall; Shri H.N. Mookherjee; Shri G.D. Ghatak; Shri R.P. Pal.  
**Member-Secretary:** Shri V. Subramaniam and Shri V.M. Sunder Raj (Replaced Dr. S.R.K. Rao).

### APPOINTMENT

In January 1972, the representatives of the coal industry met the Deputy Governor of the Reserve Bank of India (Dr. R.K. Hazari) when they explained the difficulties faced by the industry arising out of such reasons as wagon shortage, delay both in the realisation of sale proceeds as well as payment of subsidies by the Coal Board and pleaded for a liberalisation of institutional finance including bank credit in the context of the changed circumstances. It was then suggested that a working group might be constituted to study the various aspects of the financial problems faced by the industry. In pursuance of the above suggestion, the Reserve Bank of India set up the present Working Group in February 1972.

### TERMS OF REFERENCE

- (i). To study the immediate financial problems of the

coal industry and

- (ii). To review the existing institutional arrangements including bank credit for financing the coal industry, especially in the eastern region, viz., Bihar and West Bengal.

### CONTENTS

Introduction; Coal Industry, General; Wagon Shortage, Finance for Working Capital; Coal Board Subsidy; Term Finance; Summary of Conclusions and Recommendations; Appendices from I to III.

### RECOMMENDATIONS

1. The measures of relations in credit limits etc. which were advised by the Reserve Bank of India in January 1972 to scheduled commercial banks should continue till the strain on the financial resources arising out of wagon shortage at present faced by the coal industry eases.
2. Banks should assess the working capital requirements of individual collieries by taking into account inter alia the output, normal inventories of coal stores and spares they

- have to carry, amount ordinarily locked up in receivables and resources available by way of sundry creditors for purchases, etc.
3. There should be a reasonable degree of flexibility in prescribing margins as well as sub-limits in order that adequate finance could be made available to the coal industry to meet exigencies arising out of circumstances beyond its control such as accumulation of pithead stocks.
  4. The cost of some of the items essential for maintaining production and for which 100 per cent depreciation is allowed for the purposes of income-tax (viz. tubs, winding ropes, haulage ropes and safety lamps) should, in the opinion of the Working Group, be included under working capital. Besides, the extra expenditure incurred by collieries in sand stowing operations and for working under adverse mining conditions should be taken into account for assessing the working capital requirements.
  5. There is now a need for a liberalisation of the lending policy of banks in respect of advances against pithead stocks.
  6. An arrangement could be worked out between the financing banks and the Coal Controller for a verification, whenever required, of coal stocks by the field staff attached to the Coal Controller's organisation.
  7. In consideration of the services rendered by the Coal Controller's Organisation, banks may pay them such fees as may be mutually agreed upon and the fees so paid may, if necessary, be recovered from the borrowers.
  8. In order to give effect to the arrangement referred to at item 6 above, it may be necessary for the Coal Controller to augment the strength of his staff suitably.
  9. The Government of India should issue suitable instructions to the Coal Controller in regard to the verification of coal stocks and furnishing of certificates whenever required by banks.
  10. While insurance of coal stocks at pitheads against which advances have been made by banks need not be insisted upon, the collieries should be required to take adequate precautions against fire risk such as installation of fire fighting equipments, proper stacking etc. as an essential condition for making advances.
  11. Banks should fix drawing limits in respect of advances against unused items of consumable stores and spares on the basis of six months' consumption requirements.
  12. Banks may also grant suitable sub-limits against items which the collieries are required to hold in stock as stand-by to the extent they are statutorily required to be maintained provided the collieries certify that they have not been put into use.
  13. Banks should freely grant advances against book debts for the customary period of 10 days and, if necessary, extend the period up to 100 days in deserving cases. Borrowing collieries may also be persuaded to issue instructions to their buyers to make payments directly to the financing banks.
  14. Banks should grant advances to colliery owners by way of negotiation of local bills evidencing despatches of coal or overdraft against the security of such bills in respect of sales to all categories of consumers on the basis of the credit rating of the collieries and the extent of credit sales.
  15. Banks may discount bills of exchange with a maturity exceeding 90 days where necessary and enhance the bill units suitably.
  16. There is a need for liberalising the flow of finance to the small collieries. In view of the risk cover available under the Credit Guarantee Scheme for small scale industries, credit institutions should have no hesitation in extending credit facility to small units, special concessions in respect of margin, interest rate and service charges in deserving cases.  
The small collieries should ensure that they furnish the credit institutions with balance sheets and other financial data required by them.
  17. Banks should extend financial assistance to collieries undertaking stowing operations against the amount of stowing subsidy receivable by them on the basis of the monthly returns of claims submitted to the Coal Board.
  18. Financial assistance by banks against subsidy receivable from the Coal Board in respect of adverse mining conditions could be extended to the collieries by banks only after the receipt of billing instructions from the Coal Board.
  19. While it would not be desirable for banks to grant advances specifically against the security of sand itself, the resources of the collieries tied up in storing sand may be taken into consideration while fixing the working capital requirements.
  20. The tentative productions of the Fuel Policy Committee which envisage a substantial increase in coal demand during the Fifth Plan period would call for a corresponding increase in production which would, in turn, entail a large financial outlay on the part of the industry.
  21. It would appear that a much higher volume of one institutional term finance than has been provided hitherto would have to be made available to the coal industry.
  22. The withholding of permission by the State Governments for assigning the leasehold mining rights acts as a serious inhibiting factor to the flow of institutional finance.
  23. In order to enable the collieries to embark upon expansion programmes, the State Governments concerned should permit the collieries to create a charge on mining bases to enable them to raise the required funds from financial institutions.
  24. If the recommendation at item 23 is not feasible a guarantee scheme somewhat on lines similar to the one adopted at the time of utilisation of the foreign exchange loan provided by the World Bank to Government of India in 1963 may be helpful in encouraging financial institutions to grant term loans to the coal industry.
  25. In view of the importance of coal to the national economy and the large outlay that would be required in the Fifth and subsequent plans for stepping up coal production to the required level it would be expedient to set up a financial institution for catering exclusively to the requirements of the coal industry in regard to term finance and for providing technical assistance in the formulation of projects for the scientific development of mines.
  26. The proposed coal finance corporation may be incorporated as a public limited company under the Companies Act, 1956 with its registered office at Calcutta.

**COMMITTEE ON TAXATION OF  
AGRICULTURAL WEALTH AND INCOME, 1972.**  
Report, New Delhi, Ministry of Finance, 1972, 165p.

Chairman : Dr. K.N. Raj.

Members: Prof. V.M. Dandekar; Shri G.S. Kalkat; Shri Anwar Karim; Prof. Dharm Narain; Shri M.B. Palekar; Dr. A. Vaidyanathan; Shri B.P.R. Vithal.

Member-Secretary : Shri P.K. Kaul.

#### APPOINTMENT OF THE COMMITTEE

The Committee was appointed on 24th February, 1972 by a Resolution that the Government of India have decided to appoint a committee, to be known as the Committee on Taxation of Agricultural Wealth and Income, to examine the question of taxation of Agricultural Wealth and incomes from all aspects.

#### TERMS OF REFERENCE

The Committee will have the following terms of reference:

- a. To examine the present system of direct taxation of agricultural wealth and income (including capital gains) and suggest methods by which such taxation can be used more effectively for raising additional resources for development and for helping to achieve the objective of self-reliance.
- b. To recommend specifically ways and means by which taxation of agricultural wealth and income can be used to reduce economic disparities and promote more efficient utilisation of the available resources of land and labour.
- c. To examine in detail and make recommendations on the necessary changes in the system of assessment, collection and distribution of these taxes such that the resources available to the States from such taxation can be minimised, without detriment to the rights and legitimate interest of any State.
- d. To suggest the consequential changes, if any, in the system of taxation of wealth and income in general; and
- e. To indicate and make suggestions, if any, on any related matter.

#### CONTENTS

Basic considerations; Alternative approaches to direct taxation of Agriculture; Agriculture holdings tax; Partially integrated taxation of non-agricultural income with income derived from agriculture; Integrated taxation of agricultural property through Wealth-tax and of capital gains on agricultural assets through income tax. Related matters, summary of main conclusions and recommendations; Appendix.

#### BLACK MONEY AND TAX EVASION

##### Introductory

1. The term 'black money' not only stands for money

earned by violating legal provisions—even social conscience—but also suggests that such money is kept secret and not accounted.

2. Today, the term 'black money' is generally used to denote unaccounted money or concealed income and/or undisclosed wealth, as well as money involved in transactions wholly or partly suppressed.

3. Tax evasion and black money are closely and inextricably inter-linked. While tax evasion leads to the creation of black money, the black money utilised secretly in business for earning more income inevitably leads to tax evasion.

4. The effects of 'black money' on the economy of the country cannot but be described as disastrous. Today, the country is seriously handicapped in its endeavour to march forward, when the resources needed for development are not adequately forthcoming for the reason that business is carried on in the 'black'.

5. Black money is like a cancerous growth in the country's economy which, if not checked in time, is sure to lead to its ruination.

#### Extent of black money and tax evasion

6. Research work on tax evasion in this country is extremely limited; also, attempts to estimate and study tax evasion suffer from some basic infirmities owing to the insufficiency or non-availability of reliable data. Unless a detailed break-down of the total assessed income generated in each year is available, it is difficult to make a scientific study of the trend of tax evasion.

Some data for 1961-62 could be obtained from the Directorate of Inspection (Research, Statistics and Publication). An exercise on the basis of these data is given in Table I (page 20). The conclusion of this study is that the income which escaped tax for 1961-62 would be of the order of Rs. 811 crores.

Applying the ratio of evaded income to the assessable non-salary income of 1965-66, the evaded income for 1965-66 works out to Rs. 1,216 crores.

These estimates have, however, to be qualified for certain reasons. Even after taking all these limitations into account and after making rough adjustments on the basis of information available, the estimated income on which tax has been evaded would probably be Rs. 700 crores and Rs. 1,000 crores for the years 1961-62 and 1965-66 respectively. Projecting this estimate further to 1968-69 on the basis of the percentage of increase in the national income from 1961-62 to 1968-69 (during which period the national income increased by nearly 100 per cent), the income on which tax was evaded for 1968-69 can be estimated at a figure of Rs. 1,400 crores.

7. The extent of income-tax evaded during 1968-69 would be of the order of Rs. 470 crores, being one-third of Rs. 1,400 crores. The money value of deals involving black

money may, therefore, be not less than Rs. 7,000 crores for 1968-69. This is, however, only a guesstimate based on certain assumptions about which substantial difference of opinion exists for want of adequate data.

8. The tax evaded income is not all lying hoarded which can be seized by the authorities; much of it has been either converted into assets or spent away in consumption or else is in circulation in undisclosed business dealings.

#### Avenues for black money

9. Black money is found widely used for conducting concealed business transactions, smuggling gold and luxury articles, purchasing illegally quotas and licences at premia, financing secret commissions, giving donations to political parties, acquiring assets in benami names, etc. Behind the vulgar display of wealth which is evidenced by ostentatious living and lavish expenditure on weddings, festivals, etc. is this scourge of black money.

#### Causes of tax evasion, creation of black money and its proliferation

10. (a) High rates of taxation under the direct tax laws.
- (b) Economy of shortages and consequent controls and licences.
- (c) Donations to political parties.
- (d) Corrupt business practices.
- (e) Ceilings on, and disallowances of, business expenses.
- (f) High rates of sales-tax and other levies.
- (g) Ineffective enforcement of tax laws.
- (h) Deterioration in moral standards.

#### Measures for unearthing black money

##### Measures suggested in the interim report

11. An interim report was submitted to the Government towards the end of 1970, recommending therein some important steps of a radical nature for immediate implementation. After detailed deliberations and careful consideration, the Committee is still fully convinced about the efficacy and feasibility of the measures recommended in the interim report.

##### Voluntary disclosure scheme

12. A voluntary disclosure scheme is an extraordinary measure, meant for abnormal situations such as after a war or at a time of national crisis. Resorting to such a measure during normal times, and that too frequently, would only shake the confidence of the honest taxpayers in the capacity of the Government to deal with the law breakers and would invite contempt for its enforcement machinery. Any more disclosure schemes would not only fail to achieve the intended purpose of unearthing black money but would have deleterious effect on the level of compliance among the tax-paying public and on the morale of the administration. The idea of introduction of any general scheme of disclosure either now or in the future is, therefore, strongly opposed.

#### Settlement machinery

13. In the administration of fiscal laws a rigid attitude would not only inhibit a one time tax-evader or an unintended defaulter from making a clean breast of his affairs, but would also unnecessarily strain the investigational resources of the Department in case of doubtful benefit to revenue, while needlessly proliferating litigation and holding up collections. There should, therefore, be a provision in the law for a settlement with the taxpayer at any state of the proceedings.

14. To ensure that settlements are fair, prompt and independent, they may be entrusted to a separate body within the Department, to be called the Direct Taxes Settlement Tribunal. Its members should be given the same status and emoluments as the members of the Central Board of Direct Taxes.

Any taxpayer will be entitled to move a petition before the Tribunal for settlement of his liability under the direct tax laws. However, the Tribunal will proceed with the petition filed by a taxpayer only if the Department raises no objection to its being so entertained. Once a case is admitted for adjudication, the Tribunal will have exclusive jurisdiction over it and it will no longer be open to the taxpayer to withdraw the petition. The Tribunal's award will be binding both on the petitioner and on the Department.

15. It is of paramount importance that only persons who are known for their integrity and high sense of justice and fairness are selected for appointment on the Tribunal.

16. The bearer bond scheme is a poor substitute even for a disclosure scheme. The so-called benefits claimed for the bearer bond scheme are illusory.

#### Swiss type bank accounts

17. It is not worthwhile to experiment with the Swiss type of bank accounts in India.

#### Canalising black money into certain specified fields

18. Sponsoring official schemes for canalising black money into specified social and other fields of activity will not be desirable.

#### Searches and seizures

19. The power of search under the Income-tax Act is a potent instrument in the hands of the Department to provide direct and clinching evidence about tax evasion and the existence of black money. The Department should make an increasing use of its powers of search and seizure in appropriate cases.

20. The following changes are recommended so as to render this instrument more effective :

- (a) A Commissioner of Income Tax should have power to authorise search and seizure, irrespective of whether the tax payer is assessed in his jurisdiction or not.
- (b) The power of authorising searches and seizures should be available to the Inspecting Assistant Commissioners as well.
- (c) The existing powers of search under the Income-tax Act should be extended to cover persons, vehicles and vessels.

- (d) The period for making an order under section 132(5) of the Income-tax Act, 1961, may be extended from the present ninety days to one hundred and eighty days.
- (e) The law may be amended to permit retention of seized assets in order to meet the liability of interest and penalty, in addition to the tax, that may become due on the estimated undisclosed income.
- (f) Section 132(8) of the Income-tax Act, 1961, may be amended to provide that the authorised officer and/or the Income-tax Officer having jurisdiction over the case may apply for retention of the seized material beyond the period of 180 days. Similarly, section 132(9) of the Income-tax Act, 1961 which contemplates copies, etc., of seized documents being made in the presence of the authorised officer, or any other person empowered by him in this behalf, may be suitably amended.
- (g) The law may be amended to raise a presumption to the effect that, unless proved to the contrary by the assessee, the assets which are seized in the course of a search will be deemed to represent the concealed income and wealth of the previous year/valuation data immediately preceding the data of search.
- (h) It is often difficult for the Department to get independent evidence to prove that the assets, account books and documents found at the assessee's premises belong to him and relate to his affairs. The law may, therefore, be amended to provide a rebuttable presumption both for estimating the undisclosed income and also prosecution of an assessee or an abettor.

21. The Department should ensure that the actions of its officers in the matter of searches and seizures do not leave any room for complaint, and whenever any officer is found, in his misplaced enthusiasm, to err and overstep the limits of reasonableness, he should be promptly and adequately dealt with. Moreover, it is of paramount importance that the assessments in case where seizures have been made in the course of searches are finalised expeditiously and are not allowed to drag on unnecessarily.

22. The power of search, if it is to be purposeful, must be backed by a far better system of intelligence than what obtains today. The provision empowering searches and seizures can act as a deterrent only if really big tax evaders are uncovered and the exercise of this power is not confined to relatively small and less important assesseees.

## Measures to Fight Tax Evasion

### Reduction in tax rates

23. Prevalence of high tax rates is the first and foremost reason for tax evasion, because this is what makes the evasion so profitable and attractive in spite of the attendant risks.

24. If public conscience is to be aroused against tax evasion and if tax evaders are to be ostracised by the society at large, the public needs to be convinced that tax evasion is anti-social. This objective is difficult to achieve so long as the marginal rates of taxation are confiscatory.

25. The high rates of taxation create a psychological barrier to greater effort, and undermine the capacity and the will to save and invest.

26. The present high level of taxation leaves the Govern-

ment with little scope for manoeuvrability for raising additional resources in times of emergency.

27. The maximum marginal rate of income tax, including surcharge, should be brought down from its present level of 97.75 per cent to 75 per cent. Some reduction in tax rates should also be given at the middle and lower levels. In order to create an impact, the reduction in the rates of taxation should be at one stroke.

28. The following rate schedule is recommended for adoption:-

Income slab	Rate of tax
0 - 5000	Nil
5001 - 10000	10%
10001 - 15000	500 + 15%
15001 - 20000	1250 + 20%
20001 - 25000	2250 + 25%
25001 - 30000	3500 + 35%
30001 - 40000	5250 + 45%
40001 - 50000	9750 + 50%
50001 - 60000	14750 + 55%
60001 - 70000	20250 + 60%
Over - 70000	26250 + 65%

Surcharge @ 15% in respect of income over Rs. 15,000.

The beneficial results of the measure recommended will catch up and more than offset any immediate fall in the revenues.

### Minimisation of controls and licences

29. A committee of experts should be appointed to enquire into the utility of all existing controls, licensing and permit systems, and suggest elimination of such of these as are no longer considered necessary. This committee may also suggest changes in law and procedures so as to ensure that the controls which are absolutely essential for the health of the economy are administered more effectively and with the least harassment to the public.

30. There is need to keep political institutions free of corruption. Removal of the ban on donations by companies to political parties is, therefore, not favoured. Nevertheless, it is an accepted fact of life that in a democratic set-up, political parties have to spend considerable sums of money, and that large sums are required for elections. As in West Germany and Japan, in our country also, the Government should finance political parties.

Reasonable grants-in-aid should be given by the Government to national political parties and suitable criteria should be evolved for recognizing such parties and determining the extent of grant-in-aid to each of them. For according recognition to a political party for this purpose, it should be necessary, inter alia, that it is registered under the Societies Registration Act, 1860 and its yearly accounts are audited and published within a prescribed time. Irrespective of the decision of Government on the question of financing political parties, the parties may be required to get their accounts audited and published annually.

31. Donations by taxpayers, other than companies, to recognized political parties should be allowed as a deduction from the gross total income subject to certain restrictions. The maximum amount eligible for deduction on account of

donations to political parties should be 10 per cent of the gross total income, subject to a ceiling of rupees ten thousand. The deduction to be allowed should be 50 per cent of the qualifying amount of the donation.

#### Creating confidence among small taxpayers

32. The practice of being too meticulous in small cases, where no worthwhile revenue is involved, has done much damage to the image of the Department in the public eye. The initiative for undoing the damage lies with the Department.

33. The instructions issued by the Central Board of Direct Taxes on the new procedure for making assessments in small income cases make a bold departure from the past and are likely to achieve more significant results than the earlier small income schemes. While the general principles underlying these instructions are broadly approved, there is no reason why assesses in certain income groups at some places should be given a preferential treatment by having their returns accepted under section 143(1), whereas elsewhere assesses in these income groups will have to face annual scrutiny. The basic criteria for selecting cases for annual scrutiny should be uniform throughout the country.

The work may be so programmed and the manpower supplemented, if necessary, so as to ensure that at the end of each financial year the carry over of work should not be more than what can be disposed of in the next four months.

34. Notwithstanding the proposed discontinuance of issuing notice under section 139(2) of the Income-tax Act in every case, the Department should mail the return forms together with instructions for filling them to all existing taxpayers on the General Index Register in the first week of May every year.

#### Allowance of certain business expenses

35. Entertainment expenditure which is incurred primarily for the furtherance of the tax payer's business and is directly related to its active conduct should be allowed to be deducted upto the ceilings prescribed under section 37 (2A) of the Income-tax Act, 1961.

36. The exception contained in the second provision to section 37(4) of Income-tax Act, 1961 should be made applicable to guest houses maintained in the nature of transit houses for employees on duty, provided the stay is temporary and rent is charged. Where no rent is charged, the daily allowance admissible to the employee should be restricted on the same lines as for Government servants.

#### Changes in penal provisions

37. Penalty serves its purpose only so long as it is within reasonable limit. Once it crosses that limit, it is more likely to increase the rigidity of the taxpayer's recalcitrance than to reform him.

A penalty based on income instead of tax hits the smaller taxpayers more harshly.

The quantum of penalty imposable for concealment of income should be with reference to the tax sought to be evaded, instead of the income concealed. Moreover, the minimum penalty imposable for concealment of income evaded

and the maximum penalty imposable should be fixed at twice the said amount. It may also be clarified that 'tax sought to be evaded' in this context means the difference between the tax determined in respect of total income assessed and the tax that would have been payable had the income other than the concealed income been the total income.

38. In cases where the concealed income is to be set off against losses incurred by an assessee under other heads of income or against losses brought forward from earlier years, and the total income thus gets reduced to a figure smaller than the concealed income or even to a minus figure, the tax sought to be evaded should be calculated as if the concealed income were the total income.

39. Explanation to section 271(1) of the Income-tax Act, 1961 and also Explanation 1 to section 18(1) of the Wealth-tax Act, 1957 may be deleted.

40. An Explanation to section 271(1) of the Income-tax Act, 1961 may be inserted to clarify that where a taxpayer's explanation in respect of any receipt, deposit, outgoing, or investment is found to be false, the amount represented by such receipt, etc., shall be deemed to be income in respect of which particulars have been furnished, within the meaning of section 271(1)(e) of the Income-tax Act, 1961.

41. Law should be amended to provide that where intangible additions made in earlier years are cited by an assessee as the source of his funds, assets, etc., in a subsequent year, the said funds, assets, etc., would be deemed to represent the assessee's income, particulars in respect of which have been concealed within the meaning of section 271(1)(e) of Income-Tax Act, 1961, and the quantum of penalty would be determined with reference to the total income of the said assessment year, which shall be computed for this limited purpose by including the value of such funds, assets, etc., to the extent they are claimed to be out of past intangible additions.

42. Where an assessee does not file a return of income within the normal period of limitation for completion of assessment, and the Income-Tax Officer establishes that he had taxable income, the assessment should be deemed in law to have concealed his total income for the purpose of section 271 (1) (c) of the Act, notwithstanding that he had subsequently, in response to notice under section 148, filed a return stating his correct income. This will apply only to those who have not hitherto been assessed.

43. (i) Where return of income is filed under section 139 (1) of the Income-tax Act, 1961, after the prescribed time-limit but within the period of limitation for completion of assessment, the assessee should be liable to pay only interest at the rate of 1 per cent per month on the tax due for the period of delay. There should be no liability for penalty or prosecution.

(ii) Where a return of income is filed beyond the time prescribed under section 139 (2) or section 148, but within the time allowed, if any, by the Income-tax Officer, the assessee should be liable to pay interest at the rate of 1 per cent per month on the tax due for the period of delay.

(iii) Where a return of income is filed beyond the time prescribed under section 139 (2) or section 148 and also beyond the time allowed, if any, by the Income-tax Officer, the assessee should be liable to pay interest at the rate of 1 per cent per month and, in addition, penalty at the rate of 1 percent of the tax due for every month during which the default continued.

(iv) Where a person fails to submit a return of income in response to a notice under section 139 (2) or section 148 and on assessment his income is found to be above taxable limit, he should be liable to pay interest at the rate of 1 per cent per month and, in addition, penalty at the rate of 1 per cent of the tax due for every month during which the default continued. He should also be liable to prosecution.

(v) Where a person fails to submit a return as required under section 139 (1) but submits it in response to a notice under section 139 (2) or section 148, he should be liable to pay interest at the rate of 1 per cent of the tax due for every month during which the default continued.

In the case of a person not hitherto assessed to tax, where the failure has continued beyond the normal period of limitation for completing the assessment under section 143, he should, in addition to interest, be liable to a penalty under section 27 (1) (c) as recommended earlier, as also prosecution.

(vi) For the purpose of levy of interest at the rate of 1 per cent, the period of delay or default should always be counted from the due date for filing the return of income under section 139 (1), notwithstanding the extension of time, if any, granted by the Income-tax Officer.

44. The provisions in clauses (i) and (ii) of section 18 (1) and clauses (a), (b) and (c) of section 36 (1) of the Wealth-tax Act, 1957 should be respectively brought in line with the corresponding provisions of the Income-tax Act.

45. Penalty for concealment of wealth should be restricted to only those cases where there is a total omission to include an asset in the return of net wealth. Further, in order to avoid gross under-valuation, the Government may be given the power to acquire the properties, which are considered to be grossly under-valued, on payment of the value put by the assessee plus 15 per cent thereof by way of compensation.

46. The penalty for concealment of wealth should be linked to the amount of tax sought to be evaded instead of the concealed wealth. The minimum penalty for concealment of wealth under the Wealth-tax Act, 1957 should be equal to the tax sought to be evaded and the maximum penalty should be five times the tax sought to be evaded.

47. While the present rate of penalty at 2 per cent per month prescribed under clause (i) of section 17 (1) of the Gift-tax Act, 1958 should continue, the ceiling of fifty per cent of the tax due should go.

48. The existing provisions for waiver and reduction of penalties may be deleted and, instead, all the direct tax laws should contain a provision enabling the Commissioner to mitigate or entirely remit any penalty, or stay, or compound any proceedings for recovery thereof, in cases of genuine hardship.

49. Where a return of income is filed belatedly by an assessee and his income in no year during a period of four years immediately preceding the year exceeded Rs. 15,000, the Income-tax Officer should be under a statutory obligation to consider waiver or reduction of both penalty and interest and should record a note giving reasons for the decision taken by him in the matter.

50. The present policy of having a statutory minimum for penalties has, on the whole, had salutary effect and it should, therefore, continue.

51. The Department should completely reorient itself to a more vigorous prosecution policy in order to instil fear and wholesome respect for the tax laws in the minds of the tax payers. Further, where there is a reasonable chance of securing a conviction, the tax dodger should invariably be prosecuted.

52. While the power to compound offences presently available to the Department under section 279 (2) of the Income-tax Act, 1961 may continue, it should be used very sparingly. It has also to be emphasized that flagrant cases of tax evasion, particularly of persons in the high income brackets, should be pursued relentlessly.

53. The definition of principal officer for the purposes of signing of the return should be amended so as to provide that the return of income of a limited company should be signed by the person mainly responsible for the management or administration of the affairs of the company. In other words the liability for signing the return should be fixed primarily on the managing director, failing which on the working director. Similarly, in the case of a partnership, the responsibility to sign the return should rest on the managing partner or the partner in charge of the financial affairs of the firm.

54. A provision analogous to section 140 of the Customs Act 1962 may be incorporated in the Income-tax Act. Further, it should also cover the case of a partner who is really responsible for the tax offence of the firm, although he has not signed the return himself. The choice of person who should be proceeded against should be left to the discretion of the Commissioner of Income-tax.

55. A provision on the lines of Section 7201 of U. S. Internal Revenue Code will be extremely helpful in countering devices of tax evaders. Such a provision should be incorporated in the Indian tax laws also.

56. Section 18 of the Probation of Offenders Act, 1958 should be suitably amended to include all the direct tax laws among the statutes which are saved from the operation of the Probation of Offenders Act.

57. There are certain offences, such as those specified in sections 179 and 180 of the Indian Penal Code, which can be incorporated in the Income-tax Law itself. The Customs Act, 1962 also contains a comprehensive residuary penalty provision in section 117, which is to the effect that if any person contravenes any provision of the Customs Act or abets any such contravention or fails to comply with any of its provisions, he shall be liable to a penalty not exceeding Rs. 1,000 in case no express penalty is elsewhere provided for such contravention or failure. Similar provisions should be incorporated in Chapter XXI of the Income-tax Act, 1961 and these contraventions may be made liable to a penalty only.

There is no reason why the Department itself should not be empowered to impose penalties in cases of offences for which monetary fines are prescribed under section 276 of the Income-tax Act, 1961. Section 276 of the Income-tax Act, 1961 may be deleted from Chapter XXII dealing with 'Offences and Prosecutions' and may be incorporated with suitable amendments in Chapter XXI of the Income-tax Act, 1961 dealing with 'Penalties imposable'.

The penalties suggested above should be imposed by officers not below the rank of an Inspecting Assistant Commissioner. The orders imposing penalty may be made appealable

placed at its disposal.

71. The present field assistance to officers cannot by any standard be considered adequate especially at the level of Inspectors. It is essential that the Inspectors should frequently go out *suo moto* to scout for information from various sources. The strength of Inspectors should be suitably increased.

72. It will not be enough merely to have a powerful intelligence organisation. It has to be accompanied by an equally powerful wing for thorough and complete investigation of suspect cases so that the fear of the law is instilled into the hearts of the tax dodgers.

73. In order to improve the quality of investigation, the Inspecting Assistant Commissioners should be drafted for assessment of big cases so that their experience is available for meeting the challenge of the toughest tax evaders. Law may be suitably amended to vest concurrent jurisdiction in the Inspecting Assistant Commissioners (Investigation) and Income-tax Officers (Investigation).

74. An officer doing investigation cases should not normally be expected to handle more than 40 to 50 assessments in a year, and where the cases are especially complicated or involve prosecution, the number may be reduced to four or five.

75. The following factors should be taken into account in deciding transfer of cases to the Investigation Circles:

- (a) The likelihood of establishing tax fraud for a successful prosecution.
- (b) The necessity of covering all direct taxes and different kinds of tax offences within each charge and also all strata of society and geographic areas.
- (c) The necessity of placing emphasis on cases involving racketeers, profiteers, black-marketeers and notorious tax evaders in upper income brackets.
- (d) The necessity of giving priority to cases where the available evidence indicates repeated or flagrant violations of law.
- (e) The necessity of giving priority to cases where taxpayers have already been convicted for serious economic offences.
- (f) The necessity of giving priority to cases where assessees are frittering away or transferring their assets to escape proper liability.
- (g) The necessity of laying emphasis on cases having vast ramifications and involving deftly organised manoeuvres and malpractices.

Normally, it should be possible to complete investigation in any case in three or four years; thereafter, it should be transferred out of the Investigation Circle. However, if it is desired to retain the case in the Investigation Circle beyond a period of four years, approval of the Member should be obtained.

76. The officers selected to man the intelligence and investigation jobs should be imparted thorough and intensive training, at the Central Staff Training College, so as to equip them with the necessary expertise for satisfactory performance of their onerous and responsible tasks.

The Central Board of Direct Taxes should also circulate a confidential quarterly report giving these officers guidance on techniques of investigation and details of actual cases of remarkable detection and concealment.

77. A group of senior and capable officers may be

constituted under Central Board of Direct Taxes to act as specialists for guiding investigation in various important businesses and industries.

The specialists should work under Member (Intelligence and Investigation) and should be selected from among officers who have handled assessments of a particular business or industry over a long period of time and have acquired special ability in that field.

78. In view of the prevailing large-scale tax evasion it would not be desirable to put an end to the practice of giving monetary inducements to informers. At the same time, it is equally necessary for the Department to ensure that undesirable informers are kept away by prosecuting persons giving false information. Provisions of section 182 of the Indian Penal Code may be invoked in flagrant cases of informers furnishing false information. The existing reward rules should be made more flexible. While there should be no fixed percentage for payment of rewards, the rules may stipulate that if information furnished by an informer is correct and leads to additional tax, or is otherwise useful in checking tax evasion, the Commissioner of Income-tax and the Central Board of Direct Taxes may, in their discretion, pay rewards upto Rs. 5,000 and Rs. 25,000 respectively.

79. A specific statutory provision should be made to exempt rewards to informers from tax. This would not only continue the existing inducement available to them but also preserve the secrecy of information and anonymity of the informers.

80. Instead of constituting a separate cadre, the personnel for the intelligence and investigation division should be selected out of the general cadre on the basis of high integrity, proven ability and special flair for investigation.

81. The special pay of the Income-Tax Officers and the Inspecting Assistant Commissioners put on intelligence and investigation work should be raised to Rs. 200 and Rs. 300 respectively.

82. The officers working in Investigation Circles should also be given facilities regarding staff assistance, staff car, air travel and residential telephones.

83. The Department should widely publicise in newspapers by way of paid advertisements, if necessary, factual details of searches, seizures and prosecutions, without waiting for the result of appeals; and for this purpose, the law may be suitably amended.

#### Time-limit for reopening cases of tax evasion

84. Any change in the law relating to time limit for reopening of cases is not favoured.

#### Taxation of agricultural income

85. Agricultural income, which is at present outside the Central tax net, offers plenty of scope for camouflaging black money.

86. There is urgent need for agricultural income being subjected to a uniform tax more or less on par with the tax on other incomes so as to eliminate the scope for evasion of direct taxes imposed by the Union Government. Agriculture should also contribute to the national Exchequer in much the same way as other sectors are doing. It is also necessary on grounds of equity and distributive justice.



87. In the interest of uniformity and stability, the Central Government should assume the power to levy and administer tax on agricultural income.

88. The Government may choose any of the following courses, as it deems feasible:

- (a) The Constitution may be amended to unambiguously empower the Union Government to impose taxes on agricultural income.
- (b) The Union Government may impose income-tax on agricultural income, provided State Legislatures empower the Union Government in this behalf by necessary resolution in accordance with the provisions of Article 252 of the Constitution.
- (c) Article 269 of the Constitution may be amended to include taxes on agricultural income in the list of taxes levied and collected by the Union, and the taxes so collected may be assigned to the States in accordance with the procedure outlined therein.

#### Unexplained expenditure

89. A separate legal provision analogous to sections 69, 69A and 69B, may be made in the Income-tax Act, 1961, which would enable the tax authorities to bring to tax the amount of unexplained expenditure.

#### Substitution of sales-tax by excise duty

90. The best way to get over the problem posed by the existing sales-tax systems would be to replace sales-tax levy on various commodities, as far as possible, by additional duty of excise. But in the selection of commodities, care should be taken to minimise the cascading effect on prices. As Sales-tax will still continue to be levied on some commodities, there should be greater coordination between the income-tax authorities and the Sales-tax authorities in the matter of exchange of information, collection of intelligence about evasion of these taxes and also in taking preventive measure for checking tax evasion.

#### Compulsory maintenance of accounts

91. A statutory provision may be made requiring maintenance of accounts by all persons in profession and by businessmen where the income from business is in excess of Rs. 25,000 or turnover or gross receipts are in excess of Rs. 25 lakhs in any one of the immediately three preceding years. In the case of a new business the provision will apply if the income or turnover is likely to exceed these limits.

92. The law should provide that ledgers and cash books should be preserved for a period of 16 years and other accounts and records for 8 years.

93. Monetary lines should be provided in the law for failure to maintain accounts in the manner required or to preserve them for the prescribed period. In the initial stages, the Department should mount a massive publicity programme to educate the public in this behalf. A mild and conciliatory approach will be needed for some years to come and the penal provisions should be invoked only in flagrant cases of deliberate failure to maintain books or records or to preserve them.

#### Compulsory audit of accounts

94. A provision may be introduced in the law making presentation of audited accounts mandatory in all cases of business or profession where the sales/turnover/receipts exceed Rs. 5 lakhs or the profit before tax exceeds Rs. 50,000. A form of audit report may be prescribed, taking due note of the manner in which documents, records and books are maintained in the non-corporate sector. Auditor's report should include, among other things, pertinent information like the following:

1. Scope of examination—whether full check, tes.-check or mere reconciliation—in order to satisfy that purchases, sales, income and expenses are properly accounted for and balance-sheet is properly drawn up.
2. Nature of security offered for obtaining secured loans. Particulars of security not recorded or accounted for in the books to be stated.
3. Computation of admissible allowance by way of depreciation.
4. Brief particulars of expenditure on entertainment, advertisement, guest house, etc., and the amount if any, disallowable under section 37 of the Income-tax Act, 1961.
5. Particulars of expenses in respect of which payments have been made to directors, partners or persons substantially interested in the concern and their relatives. The amount, if any, not deductible under sections 40 and 40A of the Income-tax Act, 1961.
6. Particulars of amounts, if any, chargeable as profits under section 41 of the Income-tax Act, 1961.
7. Particulars of payments in respect of which income-tax has not been deducted at source and paid in accordance with the requirements of sections 192-200 of the Income-tax Act, 1961.

The Government may also, in due course, evolve a proforma of information to be furnished by the auditors which would facilitate completion of assessments.

#### Permanent account number

95. The absence of a uniform system of indexing all taxpayers in the country on a permanent basis has to some extent been responsible for the difficulties experienced by the Department in tackling tax evasion. It has prevented proper linking of information expeditiously to the assessee to whom it relates and has also resulted in the records and the accounts of the taxpayers not being properly maintained. There is no gainsaying the fact that both the tax payers and the Department will stand to benefit by the introduction of a system of permanent account numbers.

96. The length of the code should be minimal. Unduly long codes are likely to lead to serious errors in reproduction, particularly in the existing manual system. The system should, however, be capable of covering the entire section of the population which it is intended to cover and also provide sufficient room for expansion over the projected useful life of the code. The code should be permanently assigned an entity to provide historical continuity and to facilitate data processing operations. The code should have a fixed number of characters so that, while being suitable for manual processing, it could be adopted without change when machine processing is widely introduced.

The code to be adopted for taxpayer identification should be numeric. The adoption of assigned numeric code with a uniform number of digits is, therefore, recommended. The addition of a checking code to the permanent account number is not favoured.

97. Numbers should be allotted, at any rate in the initial stage, only to the taxpayers who are already on the registers of the Department or who come on to the registers subsequently. There should of course be a provision to enable any one desirous of obtaining an account number to do so. Perhaps numbers could also be allotted to all those who were on the registers of the Department till recently before the exemption limit was raised to Rs. 5,000.

98. Account numbers once allotted should remain unchanged as long as the entity continues to exist as such.

99. It will be necessary to have an additional code, a 'Records Locator Code', to help locate records of a taxpayer when the case is transferred from one circle to another after the permanent account number has been allotted. To avoid confusion with the permanent numeric code, this records locator code may be a short alphabetic code. It will not be a part of the permanent code and will not in any way vitiate its permanent character.

100. Though the permanent account number could be put to a variety of uses, it will be most used by the Income-tax Department and as such it will only be appropriate if the requisite legislation is incorporated in the Income-tax Act itself.

101. Apart from fulfilling its role of a permanent identifying number for record keeping, the permanent account number can also serve as an effective tool for combating tax evasion, detecting fraud and spotting new assessees, if legal provisions are introduced requiring persons to quote on the documents relating to specified transactions also the account numbers of the parties with whom they enter into such transactions.

The scope for extending the requirement of quoting the permanent account numbers to various types of transaction is very wide indeed (see Appendix VI), but in the interest of administrative efficiency it would be desirable to make only a small beginning and widen the field gradually. Legal provisions will also be necessary to make it obligatory for all permanent account number holders to intimate any change in their addresses to the appropriate authorities. The law will have also to provide penal measures for ensuring compliance.

However, for the present at least, it should not be obligatory for anyone to obtain an account number before entering into a transaction. The legal requirement should be that persons entering into specified transactions should quote their account number, if they have one. If they do not have an account number, they should be required to say so.

102. The law should require all persons carrying on business, where the turn-over in a year is likely to exceed Rs. 30,000, to apply for allotment of permanent account numbers within the prescribed time, if they are not already taxpayers. The law may also provide that any subsequent change in the business name should be forthwith intimated to the concerned authorities. To save any hardship to the public arising out of delay in allotment of permanent account numbers, it could be provided that if a proper application for allotment of a number has been made within time, entering into transactions even before allotment of the permanent account

number will not entail penal consequences.

103. Suggestions on the administrative and procedural aspects of the proposed system have been given in the scheme outlined in Appendix VI.

### Power of Survey

104. A new provision may be introduced as an adjunct to section 133A of the Income-tax Act 1961 to enable the Income-tax Officer to visit any premises of an assessee for the purposes of counting cash, verifying stocks, and inspecting such accounts or documents as he may require and which may be available there. He may also obtain any additional information and record statement of any person who is found at the premises, in respect of matters which would be relevant for making a proper assessment.

The law may be amended to confer powers of survey on the Inspecting Assistant Commissioners as well.

### Increasing survey operations

105. Adequate number of survey circles should be set up to ensure comprehensive and continuing survey on rational basis. Further, an officer of the rank of Assistant Commissioner should be placed in over-all control of survey operations in each Commissioner's charge and he should also hold charge of the Special Investigation Branch. Besides, in the bigger cities like Delhi, Bombay, Calcutta and Madras, a survey Range should be created under an Inspecting Assistant Commissioner who will have a contingent of survey circle Income-tax Officers and the necessary complement of Inspectors under him. In other mofussil towns, the survey squad should be under the local Inspecting Assistant Commissioner.

106. The Income-tax Officer in charge of survey circle should have territorial jurisdiction. It should be his responsibility to ensure that all persons having taxable income/wealth within his jurisdiction are brought on the registers of the Department.

107. The work relating to the first assessment in cases discovered on survey should be done by a separate officer or set of officers who will be entrusted solely with such cases. However, these assessing officers should not be under the Assistant Commissioner of Income-tax in charge of survey.

### Collection, collation and dissemination of information

108. The Central Board of Direct Taxes should lay down each year a programme and specify targets for collection, collation and dissemination of information. It should also ensure that the programme is strictly adhered to and efforts are made to reach the targets fixed. The sources to be tapped every year should be decided at the national level by the Board at the beginning of each year, to be followed and implemented strictly at all levels. Different types of information may be collected in different years so as to keep an element of surprise.

109. With a view to securing efficient functioning of the set-up, standards of work and performance should be laid down, without which it would not be possible to judge the requirements of manpower nor to measure the adequacy or otherwise of the output given by the persons at various levels.

The Special Investigation Branches, to be renamed as Central Information Branches, should be suitably strengthened and they should be placed under the supervision of the Inspecting Assistant Commissioner in charge of survey operations. They should be located at the stations where the headquarters of the Commissioners are but should not form part of their offices. The work of the Special Investigation Branch should be inspected at least once a year by the Commissioner of Income-tax himself.

#### Co-ordination between banks & the Income-tax Department

110. The legal provisions under which the system of permanent account numbers is introduced should also include that taxpayers should quote their permanent account numbers in applications for bank drafts, mail transfers, telegraphic transfers, etc., if the amount involved in such transactions exceeds five thousand rupees.

111. A suitable provision may be introduced in the Banking Regulation Act, 1949, by which all banking institutions coming within the purview of that Act should be under a statutory obligation to report to the Reserve Bank of India all financial transactions in cash over twenty-five thousand rupees which, in the judgment of the banking company concerned, are suspicious or unusual.

112. Officers of the Department should be statutorily empowered to obtain from banks information of general nature, i.e. without reference to any particular taxpayer, provided the information that is sought is in respect of transactions over specified amounts.

#### Changes in the form of income-tax return

113. The form of return of income should be made more elaborate than what it is at present by incorporating a schedule of exempted income, net worth, personal expenditure and other outgoings. To start with, the requirement to furnish this additional information should be applicable only when the total income exceeds Rs. 15,000.

114. A provision on the lines of section 114 (1) of the Taxes Management Act, 1970 of U.K. which states that the validity of proceedings proposed to be made under the taxing statute cannot be questioned for want of form or affected by reason of a mistake, defect or omission therein, may be incorporated in our direct tax laws as well.

#### Reintroduction of Expenditure Tax

115. Introduction of an expenditure statement as a part of the form of return of income should be quite effective in checking evasion through consumption expenditure, without disturbing the existing tax structure.

#### Uniform accounting year

116. Of the many provisions in the Income-tax Law that provide scope for evasion and avoidance of taxes, the one which allows the tax payers to choose as many accounting years as there are sources of income is particularly noteworthy for its undesirable consequences.

117. The advantages that would accrue from the adoption of a uniform accounting year would far out-weigh the

disadvantages. It will facilitate investigation and cross-verification of transactions and restrict the scope for collusive manipulations. White-washing of balance-sheets in collusion with one another will become difficult. Income earned during the same period by different taxpayers will be taxed at the same rate and not at different rates, as at present. Budgeting would be more accurate, for boom or depression in a particular industry can be duly taken note of in the same year in case of all the assesseees running that industry. It will also accelerate completion of assessments because economic conditions pertaining to a particular class of assesseees would be common. Given sufficient time for the changeover, businessmen are also likely to get accustomed to it.

118. The Government should seriously consider the expediency of prescribing a uniform accounting year for all taxpayers. In that case, the accounting year should coincide with the budget year. In any event the law should permit adoption of only one 'previous year', in respect of all businesses carried on by one person.

#### Checking under-valuation of immovable properties

119. It would be expedient for the Government to assume powers to acquire immovable properties in cases of understatement of cost of construction as well. However, as this would be an extension of the recommendation in the interim report, the Government should consider such extension only after it has had some experience of acquisition of immovable properties in cases of understatement of sale consideration.

120. The Land Acquisition Act, 1894 may be amended to the effect that where an immovable property to be acquired under that Act was the subject matter of transfer within one year preceding the notification under section 4 of the Land Acquisition Act, 1894 the sale consideration stated in the transfer deed relating to that property will be deemed to be the market value for the purpose of determining compensation under section 23 of the Land Acquisition Act, 1894.

121. The suggestion for replacement of deduction in respect of repair in computing the income from house property by depreciation is not favoured.

#### Ownership flats

122. It may be provided by law that ownership flats, whether acquired through the medium of co-operative housing societies or otherwise, would be deemed to be immovable property for purposes of the Transfer of Property Act, 1882 and that transfer of such flats shall be required to be registered under the Indian Registration Act, 1908 in the same manner as any other immovable property.

#### 'Pugree' payments

123. The present legislative control on rent which operates in respect of both residential premises may be amended so as to restrict its operation to residential premises only.

#### Tightening provisions of the Stamp Act

124. It will go a long way to help deter investment of

black money in immovable property if adequate machinery is provided under the Stamp Act of valuation of properties which are the subject of transfer.

125. In 1967, the then Madras State Government had introduced certain measures to curb the evil of understatement of purchase consideration, by an amendment to the Indian Stamp Act, 1899. It would be advantageous to have similar machinery in other States also. The Indian Stamp Act, 1899 may be suitably amended in this behalf on the lines of the Madras enactment.

126. In addition to indicating the date of sale and name and address of the purchaser, the stamp vendors may be required to state on the stamped paper the purpose for which the paper was purchased and also the names of the parties to the transaction sought to be recorded thereon, except in the case of an agreement or a memorandum of agreement under article 5 of Schedule I of the Indian Stamp Act, 1899 and power of attorney under article 48 thereof.

### Foreign exchange violations

127. An official study team appointed by the Government of India has estimated in its report recently submitted that the extent of leakage of foreign exchange is about Rs. 240 crores yearly. Since foreign exchange violations are possible only through clandestine dealings, these necessarily result in evasion of income-tax and other allied taxes. It is understood that the Government is examining the report of this study team and is proposing to initiate necessary remedial measures in this regard, including certain amendments to the Foreign Exchange Regulation Act. It is expected that the appropriate authorities would deal with this matter effectively.

### Tax treaties for exchange of information relating to tax evasion

128. Section 90 of the Income-tax Act, 1961 may be suitably amended to enable the Government to enter into agreements with foreign countries not only for the avoidance of double taxation of income but also for prevention of fiscal evasion. Further, our existing agreements should be revised so as to provide for exchange of routine information and market intelligence as also specific information in individual cases to facilitate investigation of tax evasion and recovery of taxes. The agreements should also enable courts in both the contracting countries to entertain rogatory, commissions or letters of request from the tax authorities of the other country for the purpose of securing the evidence of persons resident therein. The agreements should further provide for mutual assistance in investigation of tax frauds and recovery of taxes by making the administrative machinery of each available to the other.

### Tax evasion in film industry

129. The law should be suitably amended to provide that where, under an irrevocable annuity policy, though taken by the producer in his name but assigned in favour of the artists, the remuneration is paid to the artists in the form of an annuity spread over a number of years, the artists should be taxed only on the amount of annuity received during the

year. The present value of annuities due in future should be exempt from wealth-tax. The producer would be entitled to claim the entire amount paid to the Life Insurance Corporation towards taking out such a policy as a deduction in the year of payment.

130. In view of the enhancement of the ceilings under clauses (ii) and (iv) of section 80C (4) of the Income-tax Act, 1961 in recent years, the percentage of gross total income and the qualifying amount prescribed for artists, playwrights, authors, etc., under rule 11A of the Income-tax Rules, 1962 should also be suitably enhanced.

131. Where the remuneration payable to an artist under an agreement exceeds Rs. 5,000, both the film producer and the artists should be under a statutory obligation to furnish a copy of the agreement of their respective Income-tax Officers, within a period of one month from the date of execution of such an agreement.

### Payment by crossed cheque or crossed bank draft

132. An endeavour should be made to evolve a new instrument in the form of a Bank Bill of Exchange which is readily transferable but also contains an obligation for it to be encashed through a bank account. A suitable pay order/draft of different denominations may be designed and introduced for this purpose. In brief, this instrument should contain the following three essentials:

- (i) that it is an equivalent of a pay order or draft, without the name of the payee at the time of issue;
- (ii) that the name of the payee is entered on the instrument by the payer at the time of payment; and
- (iii) that the instrument is marked 'account payee only' by the issuing bank so that it cannot be encashed except through a bank account of the payee. After the introduction of the new instrument as suggested above, the exceptions provided in rule 6DD of the Income-tax Rules may be suitably curtailed.

### 'Hundi' loans

133. Permanent Account Numbers, which are to be assigned to the taxpayers by the Department, should be statutorily required to be quoted on hundi papers. Further, advances of loans on hundi and their repayments, including interest, should be made through 'account payee' cheques only. This should serve as an effective check on bogus hundi loans.

### Checking tax evasion among contractors

134. In the case of contractors including sub-contractors, a register for recording daily receipts and payments would be essential and should be in a prescribed form in due course.

135. The Income-tax Law may be amended to provide that payment to a sub-contractor will not be allowed as deduction in computing the taxable income of the contractor unless it has been made by an 'account payee' cheque.

136. The scope of section 285A of the Income-tax Act, 1961 should be extended to apply to all contractors.

137. Contractors who have been penalised or convicted for concealment of income/wealth should not be awarded

Government contracts for a period of three years. For this purpose, the form of tax clearance applicable to contractors may be suitably amended to include information whether the contractor was penalised or convicted for concealment of income/wealth during the immediately preceding three years.

#### Blank transfer of shares

133. The existing provisions of the Companies Act with regard to the system of blank transfer of shares are not adequate to check misuse. The law may be suitably amended to provide that before an instrument of transfer is presented to the prescribed authority, the transferor should be required to state in the instrument itself his name, the distinctive numbers and value of shares proposed to be transferred, and the instrument of transfer should be duly signed by the transferor and bear the requisite stamp duty. The prescribed authority should be required to cancel the stamps on the instrument of transfer at the time of stamping or otherwise endorsing thereon the date on which it is so presented. The instrument of transfer should be valid for a period of two months only from the date of its presentation to the prescribed authority. However, in order to protect the interest of genuine shareholders who want to borrow funds from the banks on the security of shares, such blank instrument of transfer should be valid for the period the shares are held by the bank as security for an advance or overdraft to a registered share-holder.

#### Benami investments

139. In pursuance of the recommendation of the Administrative Reforms Commission, the Government has sponsored legislation through the Taxation Laws (Amendment) Bill, 1971 to discourage benami holding of property. This is a step in the right direction.

#### Denial of credit facilities to tax evaders

140. All scheduled banks should be barred from providing credit facilities above Rs. 25,000 at any point of time to any person, unless he gives an affidavit to the effect that he has not been subject to any penalty or prosecution for concealment of income/wealth during the immediately preceding three years.

#### Tightening up vigilance machinery

141. Elsewhere in the report, recommendations have been given with regard to prevention of corruption among Government servants generally and, in particular, views have been given on steps needed for prevention or detection and punishment of corruption in the Income-tax Department. As regards the question of dealing with corruption at higher levels in public life and redressal of public grievances, the appointment of Lokpal and Lokayuktas after passage of the necessary legislation would take adequate care of the situation.

#### Arousing social conscience against tax evasion

142. Tax evasion cannot be tackled by stringent legal

measures alone. It can be dealt with effectively only if such measures are backed by strong public opinion against black money and tax evasion. In helping to build up such public opinion, the Government can play a vital role. The foremost measure in this regard is denial of the privileges which are still available to tax evaders.

143. Tax evaders who have been penalised or convicted for concealment of income/wealth should be disqualified for the purpose of getting national awards. The law should also be suitably amended to disqualify such persons from holding any public/elective office for a period of six years. In addition, Ministers and senior officers of the Government should avoid attending social functions sponsored or organised by known tax evaders.

144. A person who has been penalised or convicted for concealment of income/wealth should not be eligible to be a director of a limited company for a period of six years. The Companies Act, 1956, may be amended accordingly.

145. Tax education should be imparted in our schools as part of a course in civics.

146. Lists of taxpayers published by the Government should include figures of income declared, income assessed and the tax payable. Such lists should, in addition to being published in the official gazette, be publicised in local papers and be also put up on notice boards in income-tax offices.

147. The Chambers of Commerce and the Federation of Chambers should take the lead and evolve methods by which businessmen resorting to corrupt trade practices, including tax evasion, are ostracised.

148. Taxpayers who have been filing correct returns and have been prompt and regular in meeting their tax obligations should be treated by the Department as starred assesses.

## TAX AVOIDANCE

### Introductory

149. In an acquisitive society, it is more common for a taxpayer to regard taxation as a burden and to seek all possible means to escape it. The distinction between 'evasion' and 'avoidance' is largely dependent on the difference in methods of escape resorted to. Some are instances of merely availing, strictly in accordance with law, the tax exemptions or tax privileges offered by the Government. Others are manoeuvres involving an element of deceit, misrepresentation of facts, falsification of accounts, including downright fraud. The first represents what is truly tax planning, the latter tax evasion. However, between these two extremes there lies a vast domain for selecting a variety of methods which, though technically satisfying the requirements of law, in fact circumvent it with a view to eliminate or reduce tax burden. It is these methods which constitute 'tax avoidance'.

150. Attempts at tax planning or methods such as availing of the various benefits and concessions provided under the tax laws should not be shunned as unethical or anti-social. But those types of tax avoidance which violate the spirit and intention of the law and at times border on tax evasion are certainly disapproved.

### Concept of taxable income

151. Income-tax statute should contain a comprehensive definition of income whereby all incomes are brought to tax, subject to specified exemptions provided therein.

#### Casual and non-recurring receipts

152. The exemption now available to the casual and non-recurring receipts under the Income-tax Act should be withdrawn. The following scheme of taxation of receipts of casual and non-recurring nature is suggested:

- (i) Receipts which are of a casual and non-recurring nature and are in excess of Rs. 1,000 in a year should be included in the total income to be taxed at normal rates. Reasonable expenses should be allowed. Exemption upto Rs. 1,000 would relieve the taxpayer of the responsibility to account for petty receipts.
- (ii) Winnings from State lotteries may be taxed on a concessional basis as applicable to long-term capital gains on assets other than lands and buildings.
- (iii) Casual losses should be set off only against the same type of income. For instance, losses in respect of racing would be set off only against income from racing.
- (iv) Tax @ 33 per cent should be deducted at source from prizes in crossword puzzles, race winnings and lotteries where the amount exceeds Rs. 1,000.

#### Capital gains

153. Capital gains should not be treated on a par with other income. Such gains may be partly attributable to inflationary pressures and, in any case, represent income which has accrued over a period of time.

154. Concessional treatment of capital gains should apply only to capital assets held for more than five years. Accordingly, the definition of short-term capital asset will have to be changed.

#### Hindu undivided family

155. The Hindu undivided family as a unit of assessment is retained in most cases only when it enables the persons concerned to reduce their tax liability and, in other cases, it is promptly partitioned without considerations of sentiment coming in the way.

156. A Hindu undivided family should be taxed at a special rate if any of its members has independent income above the maximum not liable to tax. Such Hindu undivided families should be taxed at the following rates:

Income in Rs.	Rate in %
5,001 10,000	15
10,001 15,000	25
15,001 20,000	35
20,001 30,000	45
30,001 50,000	55
Over 50,000	65

In addition, 15 per cent surcharge should also be leviable where the income exceeds Rs. 15,000.

Similarly, under the Wealth-tax Act, there should be a separate schedule with higher rates applicable to Hindu undivided families where any member of family has independent wealth above the exemption limit.

#### Clubbing income of husband, wife and minor children

157. Family consisting of husband, wife and minor children being treated as a unit of assessment is not favoured.

#### Measures to check diversion of income

158. Clause (v) of section 64 (1) of the Income-tax Act, 1961, should be suitably amended by introducing a deeming provision, if necessary, to cover income arising from assets transferred indirectly.

159. Section 64(1) of the Income-tax Act, 1961 should be suitably amended to provide that in computing the income of a parent-in-law or a paternal grandparent, there shall also be included such income as arises directly or indirectly through assets transferred by him/her directly or indirectly otherwise than for adequate consideration to or for the benefit of a daughter-in-law or a minor grandchild, as the case may be.

160. By a suitable Explanation to section 64(1) of the Income-tax Act, 1961, the effect of the judgment of the Supreme Court in the case of Commissioner of Income-tax vs. Prem Bhai Parekh and others (77 I.T.R. 27) should be taken away.

161. It should be provided in law that in computing the total income of an individual there shall be included all such income as arises directly or indirectly to the spouse of such individual by way of salary, commission, fees or any other form of remuneration from a concern in which such individual has substantial interest. For this purpose, an individual may be deemed to have a 'substantial interest' (a) in the case of a limited company, if its shares carrying not less than 20 per cent of the voting power were, at any time during the previous year, owned beneficially by such individual either singly or along with his relatives and (b) in the case of any other concern, if such individual either singly or along with his relatives was entitled in the aggregate at any time during the previous year, to not less than 20 per cent of the profits of such concern. For this purpose, the term 'relative' should have the same meaning as in clause (41) of section 2 of the Income-tax Act, 1961.

#### Tax treatment of firms and partners

162. The Partnership Act should be so amended as to preclude the admission of minors to the benefits of partnership. However in order to avoid hardship, an exception may be made in the case of succession on the death of a parent. Further, until such an amendment is made to the Partnership Act, the Income-tax Act should be amended to provide for inclusion of a minor's share from a firm in the income of that parent whose total income is higher.

163. Claims of sub-partnerships should be investigated in depth to uncover collusive arrangements.

164. Where a partner in a firm is an undisclosed benamidar of an outsider, and any one or more of the other partners knew or had reason to believe that it was so, the firm should not be treated as a validly constituted partnership.

165. The levy of a separate tax on registered firms rendering professional services should be discontinued.

166. The results of dealings in shares by companies other than investment, banking and finance companies, should be treated in a manner analogous to speculation business.

#### Treatment of perquisites

167. The Government should re-examine all the existing rules pertaining to valuation of perquisites in order to update them with reference to the current market trends.

#### Taxation of discontinued business

168. A provision on the lines of section 176(4) of the Income-Tax Act 1961, should be added to cover also income from business received after its discontinuance.

#### Charitable and religious trusts

169. Every person in receipt of income derived either from property held under trust or other legal obligation for charitable or religious purposes or from voluntary contributions received on behalf of such trust or institution should be required to furnish a return of income if the total income, ignoring the exemption under section 11 and 12 of the Income-tax Act, 1961, exceeds the maximum amount not chargeable to income-tax.

170. The law may be amended to provide that where a person, who is under an obligation to furnish a return of income under section 139(4A) of the Income-tax Act 1961, fails to furnish such a return, he shall be liable to pay penalty upto one per cent of the income of the trust for each year of default or part thereof.

171. The Income-tax Law may be amended to cast an obligation on all charitable and religious trusts which seek income tax exemption to register themselves with the Income-tax Department. Trusts which fail to get registered within a prescribed period will not be entitled to claim income-tax exemption. The existing trusts may be required to get themselves registered within one year from the date of enactment of the new provision and trusts formed after the enactment should get themselves registered within six months of the date of the constitution of the trust.

172. All trusts with incomes/receipts exceeding rupees twenty-five thousand should be under a statutory obligation to have their accounts audited in the prescribed manner.

173. Law should be suitably amended to provide that where a trust for the relief of the poor, education or medical relief derives income from any activity for profit, its income would be exempt from income-tax only if the said activity for profit is carried on in the course of the actual carrying out of a primary purpose of the institution. So far as trusts for any other object of general public utility are concerned, pursuit of any activity for profit should continue to render them ineligible for tax exemption.

174. The existing conditions for spending the trust income for charitable purposes within the same year, or accumulating it in the specified manner, should be relaxed, where the trust is prevented from complying with them on account of not having actually received the income in ques-

tion.

175. All 'ghost' or anonymous donations to charitable or religious trusts should be taxed at the rate of 65 per cent. Religious trusts may, however, be left out of the purview of this provision.

176. Where any part of the corpus of income of a charitable or religious trust is used by or for the benefit of the founder, trustee, etc., for any period in a year, such a trust should be liable to pay wealth-tax on the value of its entire property in the same manner as the discretionary trusts under the provisions of section 21(4) of the Wealth-tax Act, 1957.

177. Barring the original corpus, there should be a total ban on trusts investing any of their funds in any business concern, including a limited company.

178. Section 13 of the Income-tax Act, 1961 provides, inter alia, that a charitable or religious trust or institution will be denied exemption from tax if the funds belonging to it are invested, or continue to remain invested, during the previous year in any concern in which the author or founder thereof or substantial contributor to it or their relative has a substantial interest. This condition should not operate when such an investment itself forms a part of the initial corpus of the trust.

179. The term 'substantial portion', used in section 13 of the Income-tax Act, 1961 should be so defined as to mean any property or income exceeding one thousand rupees and the term 'substantial contribution' used in the said section should be defined as an amount exceeding five per cent of the corpus of the trust. Further, persons mentioned in section 13(3) of the Income-tax Act, 1961 should also include a trustee and his relatives and the term 'relative' should also include relatives through marriage.

180. Section 12 of the Income-tax Act, 1961 may be amended to provide that the benefit of tax exemption in respect of income received by way of voluntary contributions will be available only to charitable and religious trusts which enure wholly for the benefit of the public. Further, it may be provided that the voluntary contributions received by religious and charitable trusts will be treated as income of such trusts for the purpose of section 11 and 13 of the Income-tax Act, 1961. However, voluntary contributions in the nature of endowments or for specific projects related to the objects of the trust may be allowed to be accumulated or set apart.

181. The law may be suitably amended to provide that exemption under sections 11 and 12 of the Income-tax Act, 1961 will be available to trusts created before 1st day of April, 1962 if they conform to the requirements of the law as applicable to trusts created after 31-3-1962. The period for effecting the necessary changes may be fixed at two years from the date of amendment of the law in this behalf. As some mixed trusts may have to be split up for this purpose, a suitable machinery may be set up by the Government to effect a smooth change over.

182. There is a strong case for having an all India legislation for the purpose of controlling and regulating the working of various public charitable and religious trusts in India. Apart from the provisions contained in the draft Bill, which was introduced in the Parliament in 1968 for this purpose (but which lapsed with the dissolution of the Lok Sabha in 1970), such legislation should contain some further provisions. The Government should have the power to nominate

one or more trustees in the case of a trust with income exceeding rupees fifty thousand per annum, notwithstanding the terms of the trust deed. There should also be a provision against the continuance of the same persons as trustees on the governing body of a trust. The number of life trustees in any public trust should not exceed 25 per cent of the total strength of its trustees. As regards other trustees, the principle of rotation should be introduced so that one-third retire every five years. No trustee should be eligible for re-appointment more than once. Further, there should be yet another provision to ensure that the number of trustees who are close relatives of the founder(s) of a trust, does not at any time exceed 25 per cent of the total strength of the trustees. These provisions should be made applicable even to the existing trusts.

#### Measures to check avoidance of wealth-tax

183. Sub-clause (iii) of clause (a) of section 4(1) of the Wealth-tax Act, 1957, (which corresponds to clause (v) of section 64(1) of the Income-tax Act, 1961) should also be amended to cover indirect transfer of assets.

184. There is another type of diversion where a parent-in-law or paternal grandparent transfers assets directly or indirectly, otherwise than for adequate consideration, to the daughter-in-law, or minor grandchild, as the case may be, for his or her immediate or deferred benefit. A suitable provision may be made in the Wealth-tax Act for the inclusion of the value of such transferred assets in the net wealth of the parent-in-law or paternal grandparent, as the case may be.

185. In the matter of valuation of unquoted shares, the wealth-tax rule in this behalf tilts the scale in favour of the shareholder. According to this rule, the value is determined, subject to certain adjustments on account of dividends declared, with reference to the book value of the assets and liabilities as reflected in the balance-sheet. This rule completely bars revaluation of immovable properties held as assets by the company. It is common knowledge that closely-held companies owning huge immovable properties in big cities show only the depreciated value of such properties in their balance-sheet though their market value is, in fact, several times the book value. The position in this behalf should be reviewed, and for the purposes of valuation of shares of closely-held companies, the rule should be revised to provide revaluation of immovable properties held by such companies - other than as their business premises - so as to bring the value of such properties upto their fair market value, taking into account, inter alia, their actual yield.

186. The valuation of immovable properties once adopted after due enquiry should remain unchanged for a period of five years, except for additions, alterations and improvements.

187. Any change in the basis of levy of wealth-tax from 'market value' to 'cost price' of an asset is not favoured.

#### Measures to check avoidance of gift-tax and estate duty

188. The Wealth-tax Act, 1957 and the Gift-tax Act, 1958 may be suitably amended to provide that a gift made by any person by means of book entries alone will not be recognised as a valid gift unless it is accompanied by physical transfer of cash.

189. Gifts made by a person from year to year should be aggregated. Gifts upto a total amount of rupees one thousand in a year may, however, be exempted. Additionally, individual gifts upto Rs.200 per donee may be ignored. Gifts made in any year should be taxed by applying the rate appropriate to the slab in which, after aggregation, the gifts made in a particular year fall. This provision should be made prospective to avoid unnecessary hardship.

190. The principle of aggregation of gifts should be extended further so as to achieve complete integration with estate duty. For this purpose, the principal value of the estate passing on death should be aggregated with the taxable gifts made during life-time. The estate duty will first be calculated on this aggregate amount, subject to such exemptions as may be available at the time, and then credit allowed for the gift-tax paid during life-time.

#### TAX ARREARS

##### Introductory

191. Tax arrears have been a chronic problem with the Department and have of late assumed serious proportions. The magnitude of the problem of arrears in our country seems to have no parallel elsewhere.

192. The measures taken so far for tackling the problem of tax arrears seem to have made no significant dent on the hard core of the problem. The trouble is deep rooted and calls for some radical remedies.

##### Causes of Arrears

193. The main causes of tax arrears are as follows:

- (a) Treating as arrears amounts not due for collection, demands relating to protective assessments as also disputed demand.
- (b) Unrealistic and over-pitched assessments.
- (c) Administrative delays—late assessments, finalising important revenue cases towards the close of the financial year, completing assessments for several years together, delays in disposal of appeals, etc.
- (d) Administrative deficiency—frequent changes in jurisdiction, unscientific and cumbersome accounting and collection procedures, shortage of personnel and lack of proper training and even the minimum equipment in collection and recovery wings, inadequate powers and inadequate exercise of powers and lack of co-ordination among assessing, collection and recovery officers.
- (e) Factors beyond the control of the Department companies going into liquidation, assessee leaving the country or becoming untraceable and assessee alienating assets. Heavy penalties and interests increase the arrears.
- (f) Slow progress of write off of irrecoverable arrears and scaling down of partially irrecoverable arrears.

##### Remedial Measures

194. The causes, though many and varied, are all linked to inadequacies of administration and inadequacies of law and procedure. The measures taken in the past have been palliatives for individual symptoms rather than a cure for the malady itself.



195. Where the assessee does not honour the undertaking given at the time of grant of instalments, the Department should take a stiff attitude in the matter of realisation of arrears.

196. The powers conferred on the officers under the Second and Third Schedules to the Income-tax Act, 1961 should be exercised with vigour and firmness. In particular, the powers of distraint should be exercised on a much wider scale than at present. All Income-tax Officers entrusted with collection duties may be authorised to effect distraint and sale of movable properties and Inspectors working under them may be authorised to execute distress warrants issued by them.

197. It is difficult to appreciate the significance of the frequent collection and recovery drives said to have been launched at the behest of the Central Board of Direct Taxes when the collection and recovery units have not been provided with the requisite man-power. The Government should make a proper assessment of work-load in the collection and recovery units. A proper balance should be ensured between the number of recovery and collection officers and the number of assessing officer. Further, additional provision should be made to clear the existing back-log of arrears.

198. The field staff in the recovery units should be given adequate training before they are assigned duties. Only persons with an aptitude for such field work and possessing robust health should be selected for this type of work. As the field staff have to perform out-door duties, they should also be provided with uniforms.

199. The ideal position would be to have accounting, collection and recovery under a separate hierarchy. However, for the present, at least till the back-log of arrears is cleared, recovery work, i.e., coercive collection on recovery certificates, should be placed under a separate hierarchy. In bigger charges, recovery units should be placed under Assistant Commissioners (Recovery) and Additional Commissioners (Recovery). In smaller charges, they should be with an Assistant Commissioner (Recovery), under the over-all supervision of the Territorial Commissioner of Income-tax.

200. The Inspecting Assistant Commissioners should be given training in management, and made responsible for the harmonious, co-ordinated and efficient working of the Income-tax offices.

201. Recovery cannot be effective unless the field staff is on the move. Field staff in recovery units should be provided with adequate number of vehicles.

202. Adequate storage facilities, including strong rooms and safes, should be provided and adequate arrangements made for the safe custody of distrained goods. The Department should make arrangements with the jail authorities for locking up of tax defaulters in civil prisons. Adequate funds should also be placed at the disposal of Tax Recovery Officers to defray the expenses of defaulters' stay in the civil lock-up.

203. The Recovery units of the Income-tax Department should be provided with their own sepoys and havildars on the lines of the Central Excise Department. The Intelligence Wing can also draw upon them in connection with searches and seizures.

204. Officers and Inspectors on the work of recovery, searches and seizures should be provided with firearms.

205. A standing counsel competent in civil matters may

be appointed in every Commissioner's charge to advise on issues raised in recovery proceedings.

206. Write off and scaling down of irrecoverable or partially recoverable demands has not kept pace with the case arising therefor. Any delay in the disposal of scaling down petitions not only results in irrecoverable demands being shown as arrears, but often holds up payment of taxes which are otherwise recoverable.

207. It will be necessary to have a whole-time organisation, at least for some years to deal with the matter if any significant progress is to be made in writing off and scaling down tax arrears which are wholly or partly irrecoverable. A high-powered body may be set up within the Department exclusively to consider and decide cases of write off and scaling down of arrears where the amounts involved exceed Rs. one lakh. The Committee should consist of three Members including Member (Finance), if any, of the reconstituted Board. The Members should have status equal to the Members of Central Board of Direct Taxes. The Committee's decision will be final and will not be questioned before any other administrative authority. The Committee should submit an annual report to the Government.

208. In every case of scaling down, an affidavit regarding the assets of the defaulter should invariably be obtained and the agreement to scale down should provide that it shall be void if any undisclosed assets subsequently come to light.

209. The services of the Intelligence Wing should be requisitioned in appropriate cases to uncover secret assets of the defaulters. Rewards upto 20 per cent of the value of the assets may be given to informers in respect of information leading to discovery of undisclosed assets of defaulters. The names of defaulters and the offer of rewards should be widely publicised. In all worthwhile cases, the defaulters should also be sent to jail before proposing write off of the arrears outstanding against them as irrecoverable.

210. It is equally necessary that ways and means are devised to ensure that tax demands do not fall into arrears in future. The rate of interest chargeable or payable under the various provisions of the direct tax laws should be increased from 9 per cent per annum to 12 per cent per annum. This works out to one per cent per month and would incidentally facilitate calculations.

211. Interest should be levied under the various provisions of the direct tax laws for each completed month and on round sums in multiples of Rs.100.

212. The law need not be made more complicated by provision of discounts for prompt payment of tax and levies for delayed payments.

213. Interest on moneys borrowed for payment of taxes should be allowed as a deduction in computing taxable income. This would help the Department in collecting revenue, including arrears, and would be an added justification for levying heavy penalties in cases of continuing defaults.

214. Interest on refunds due as a result of appeals etc., should be allowed from the date the disputed demand was originally paid.

215. Proviso to Section 22 1(1) of the Income-tax Act, 1961, which necessitates giving the defaulter a reasonable opportunity of being heard before he is penalised, may be deleted. A similar requirement for levy of penalty under Section 140A(3) for default in payment of tax due on self-

assessment should also be dropped. However, the clause relating to liability to penalty without further notice may be printed in bold letters on the demand notice itself. This should serve as sufficient notice to the tax-payer. The Income-tax Officer should be enabled to cancel the penalty order by way of rectification wherever it is established to his satisfaction that payment had already been made, by adjustment or otherwise, on or before the due date.

216. The first penalty for short delays should not exceed 10 per cent of the tax payable but not paid.

217. The Department should make greater use of powers of sending tax defaulters to civil prison.

218. The law may be suitably amended to authorise prosecution of tax defaulters. The Department should launch criminal prosecutions in flagrant cases of default in payment of taxes.

219. Tax Recovery Officers may, in the first instance, be authorised to order suspension of business, other than industrial undertakings, as a mode of recovery of out-standing taxes. Recourse may also be taken to appoint receivers in suitable cases, including industrial undertakings.

220. The law may be suitably amended to create an automatic lien on properties, movable and immovable, of the tax-payer in favour of the revenue on the lines of provisions contained in the U.S. law. The lien should be operative from the date any demand is raised against the tax-payer till the time the liability is finally liquidated.

221. A statutory provision may be made empowering the income-tax authorities to levy a provisional attachment on the assets of a tax-payer, whose case is under investigation for tax fraud, even before a tax demand is actually raised against him.

222. Properties transferred directly or indirectly, otherwise than for adequate consideration, by an individual to his spouse or a minor child may be made liable to attachment and sale for the purpose of recovering tax dues of such individual. Similar liability may also be extended to properties, directly or indirectly transferred, otherwise than for adequate consideration, by a parent-in-law to a daughter-in-law or by a paternal grand-parent to a minor grand-child.

223. The undisputed portion of the tax should be paid before an appeal to the Appellate Assistant Commissioner of Income-tax is filed. The Appellate Assistant Commissioner should have the power to waive this requirement in appropriate cases for reasons to be recorded in writing.

224. The power to grant stay of disputed tax should vest in the Appellate Assistant Commissioner and not the Income-tax Officer.

225. The law may be amended so that the time limit for filing an appeal is extended beyond the last date for payment of tax.

226. Revenue matters in respect of which adequate remedies are provided in the respective statutes themselves should be excluded from the purview of Article 226 of the Constitution.

227. The provisions relating to deduction of tax at source may be extended to cover payment of royalties, rents, professional fees and commission, including insurance commission, made by all persons other than individuals and Hindu undivided families, and all payments of prizes in lotteries and crossword puzzles and race winnings. However, lottery prize money, royalties, prizes in crossword puzzles and race win-

nings upto Rs.1,000 at a time, and payment of rents, professional fees and commission upto Rs. 400 at a time, may be exempted from such deduction. The rate of deduction should be 33 per cent in the case of prizes in lotteries, crossword puzzles, race winnings and royalties, and 10 per cent in the case of other payments.

228. The law may be amended to provide that tax at the rate of 3 per cent of the amount billed by a contractor in respect of any contract granted by the Central Government, State Government, local authority, a public sector undertaking or a company will be deducted from the payment made against such bill, unless the contractor furnishes a certificate from the Income-tax Officer that the tax may be deducted at any lower rate or nil rate. A contractor, not being an individual or a Hindu undivided family, should be required to deduct tax at the rate of 2 per cent from any payment made by him to a sub-contractor where the total value of the sub-contract exceeds Rs.5,000.

229. Extending the provisions of Section 194A of the Income-tax Act so as to require individuals and Hindu undivided families to deduct tax from interest is not favoured.

230. Levy of both interest and penalty for defaults in deducting tax at source and paying it to the credit of the Government is justified. Where the default amounts to cheating the Exchequer, criminal prosecution is also a must. No changes in the existing law are, therefore, necessary. On the other hand, the Government should resort to criminal prosecutions more frequently for improving the general level of compliance.

231. To ensure stricter control, all tax-payers while making their own returns of income should certify that tax has been deducted in accordance with the law, wherever due, from salaries, interest, dividends, etc., paid by them. They should show the amount of tax deducted and the dates when it was paid into the treasury in a schedule, to be provided for the purpose, in the form of return of income.

Persons who are required to deduct tax at source should enclose with the returns of deduction of tax the additional foil of challan which will be available to them when the four-foil challan system recommended for use in the payment of all types of taxes is introduced. Similarly they should also be required by law to quote their permanent account number code in all the tax deduction certificates, challans and returns.

232. The work relating to the processing of tax deduction returns, watching deduction and payment, and taking enforcement action where needed, should be centralised in every Commissioner's charge and entrusted to a senior officer assisted by one or more officers and adequate staff, who should not have any other work. The officers should also have field staff to make surprise checks to verify compliance with the requirements of the law relating to deduction of tax at source. A centralised register of all persons liable to make deductions of tax at source should be maintained so as to ensure compliance. The permanent account numbers, when introduced, should be made use of in maintaining such a register and in co-relating the deductions made by the payers to the tax credits claimed by the payees. Eventually such co-relation could be done by computers. In the meantime, a suitable system may be devised to test check that the credit claimed by the payees tallies with the amount deposited by the payer. The Internal Audit should also exer-

cise greater vigilance in checking this aspect. At the same time, the Department should publicise the tax-payers' obligations in the matter of deduction of tax at source etc. The Department can usefully prepare and distribute attractive brochures on the subject to make the public aware of their obligations. Further, in all cases where accounts are audited, the auditor should be under obligation to state in his report whether tax has been deducted at source, where due, and deposited to the credit of the Government in accordance with law.

233. The provisions of self-assessment in the Income-tax Act as well as Wealth Tax Act should be made applicable to all cases irrespective of the amount of tax. The additional challan foil from the four-foil challan, recommended for use in all types of tax payments, should be enclosed with the return of income. As an alternative, a crossed cheque drawn in favour of the Income-tax Department towards payment of tax due on self-assessment may be enclosed. In either case, the fact of payment should be indicated in the appropriate cage to be provided for the purpose in the form of return of income.

234. The penalty under Section 140 A(3) of the Income-tax Act, 1961 and Section 15 B(3) of the Wealth Tax Act, 1957, for non-payment of tax on self-assessment should be two per cent of the tax due, which is not paid for every month of default. However, to avoid hardship to small tax-payers, penalty proceedings need not be invoked as a matter of course where the amount payable on self-assessment does not exceed Rs. 500 or the shortfall in payment does not exceed Rs. 200.

235. Provisions of Section 179 of the Income-tax Act may be amplified to cover all private companies and not merely those in liquidation, and personal liability to tax should in addition to the directors extend to any major shareholder who, along with the shares held by or for the benefit of his spouse and minor children, holds not less than 20 per cent of the equity shares of the company.

236. Sections 137 and 516 of the Companies Act may be amended to provide that the receiver or liquidator should report to the Registrar of Companies the fact of his having duly notified the Income-tax Officer under Section 178 of the Income-tax Act. The Company law should also provide that every company which intends to go into voluntary liquidation should notify the fact to the Income-tax Officer at the time when notices are issued to the shareholders in this behalf.

237. Provision should be made requiring the Registrar to notify the Income-tax Officer concerned before taking final action under Section 560 of the Companies Act to strike off the name of a company.

238. The scope of Section 189(3) of the Income-tax Act should be extended to cover the liability of the partners for tax on the share of profits of the dissolved firm to the extent the amount could have been retained under Section 182(4) of the Income-tax Act.

239. Section 73(5) of the Estate Duty Act, 1953 may be suitably amended to provide for recovery of duty on the lines of the provisions in the Income-tax Act, 1961.

240. Government should enter into comprehensive tax treaties with other countries which should include a provision for mutual assistance in the matter of recovery of taxes.

241. The Department should give wider publicity to auc-

tions of properties belonging to influential persons.

242. A provision in the Income-tax Act to make Income-tax officials liable to judicial proceedings for wilfully making a false and vexatious assessment is not favoured. As recommended by the Administrative Reforms Commission, the Commissioners and Inspecting Assistant Commissioners should impress on the assessing officers that over-assessment would be noted as a defect indicating want of judgment and a sense of proportion. In addition to making adverse comments in the confidential character rolls, departmental action should be taken against officers who persist in making unreasonably over-pitched assessments.

243. The law should authorise the Inspecting Assistant Commissioner to call for the records of a case on his own motion, or on a reference by the Income-tax Officer, or on a petition made by the assessee, before an assessment is finalised, and issue such directions as he considers fit in the circumstances of the case for completion of the assessment. The direction given will be legally binding on the Income-tax Officer. The law should provide for an opportunity to the assessee of being heard by the Inspecting Assistant Commissioner before any directions prejudicial to him are issued. An explanation may be added to the effect that for this purpose, mere directions as to the lines on which investigation should proceed, or directions which do not result in enhancing any addition proposed by the Income-tax Officer shall not be deemed to be prejudicial to the assessee.

244. There should be a provision in the law requiring the Income-tax Officer to send a draft assessment order to the assessee to start with, in all cases where the additions or disallowances proposed to be made in an assessment under Section 143(3) exceed in the aggregate Rs. 25,000. Where the tax-payer objects to the assessment being made on the basis of the draft order, he should intimate his objections within 7 days to the Inspecting Assistant Commissioner who will, after hearing the assessee and the Income-tax Officer, pass the final order of assessment himself. For this purpose, the Inspecting Assistant Commissioner should have the power to accept, reduce, or enhance the income proposed in the draft order.

245. Any further reduction in the time limit for making assessments under the Income-tax Act is at present not considered necessary. The Wealth Tax Act and Gifts-Tax Act may be amended to prescribe a statutory time limit of two years from the end of the assessment year. In the case of Estate Duty Act, the period of limitation for completion of assessment should be four years from the end of the financial year in which the proceedings are commenced. However, the period of limitation for commencement of estate duty proceedings should be enhanced from 5 years to 8 years as for income-tax.

246. Making hurried assessments in the last few months of the year is neither fair to the assessee nor to the revenue and deserves to be condemned strongly. Income-tax Officers handling major revenue cases should be required to plan their programme of work in advance. As far as possible, the large revenue yielding cases included in the programme may be disposed of by the end of January each year. The programme should be approved by the Inspecting Assistant Commissioner, who should ensure that it is strictly adhered to.

247. The problem arising from several years' assessments

being completed together will disappear once the backlog of assessments is cleared.

248. The build-up of arrear demands pending disposal of appeals will get reduced when the various recommendations intended to reduce the area of disputes and to expedite settlement of disputes in important cases are implemented.

249. The recommendations made in the Chapter on Tax Administration for streamlining the administrative set-up will eliminate or substantially reduce delays in issue of notices of demand, in carrying out adjustments or rectifications, in giving effect to appeal orders, etc., all of which tend to aggravate the position of tax arrears. Prompt issue of refunds will help to build up the morale of tax-payers and will create the requisite atmosphere for better compliance in the matter of payment of taxes as well.

250. Arrears also result from unsatisfactory accounting procedures, frequent changes in jurisdiction and greater emphasis on assessment work than on collection work. The accounting procedure and pattern of jurisdiction suggested in the Chapter on Tax Administration will take care of the first two. Functionalisation will take care of the third.

251. For eliminating the amounts which are not yet due for collection from the amount shown as arrears, the arrears of tax should be accounted for as on 1st July of the year instead of 1st April.

252. A provision in law to authorise tax-payers to withhold disputed taxes unilaterally is not favoured. Disputed demands which have been stayed should, however, be altogether excluded while reporting arrears. A similar procedure should be followed in respect of demands raised as a result of protective assessments.

## EXEMPTIONS AND DEDUCTIONS

### Introductory

253. In a wider sense, all deductions, whether they are allowed in the process of computation of the gross total income or wealth, or in determining the net taxable income or wealth, and all types of rebates, reliefs, abatement of tax, or tax credit, are only different modes of providing exemption from tax.

254. Most of the exemptions are based on sound rationale and are intended to achieve clearcut economic or social goals. These cannot be given up merely for achieving simplicity in the tax laws.

255. In reviewing the existing exemptions the need to accord greater recognition to the social aims and aspirations of the people as also the need for rapid economic growth and for enlargement of job opportunities have been kept in mind.

256. It is not desirable to limit the benefits of exemptions in the tax laws to the less privileged classes only. Certain ceilings have already been provided, wherever necessary, to ensure that undue advantage of the tax concessions is not derived by tax-payers in higher income brackets.

257. Any attempt to consolidate the various exemptions into an omnibus allowance would make them highly inelastic and self-defeating.

258. It is not a practical proposition to link the grant of incentives to the efficient performance of industry.

259. Taxation can no longer be considered as a mere device for raising resources. It is an important tool for the

development of economy and for implementing economic and social policies in a variety of ways. However, there is need for periodical review of fiscal measures to assess their effectiveness and utility.

### Review of Existing Exemptions, Deductions, etc.

260. Agricultural income should be aggregated with the other income liable to income-tax and taxed in the manner indicated in the Chapter on Black Money and Tax Evasion.

261. Casual and non-recurring receipts should be taxed in the manner and to the extent recommended in the Chapter on Tax Avoidance.

262. It is not feasible to extend the present tax concessions available to foreign technicians to those who work as professionals or on job work basis.

263. Raising of the ceiling of Rs. 24,000 for exemption in respect of gratuity payments is not favoured.

264. Where the house rent paid by a self-employed individual, living in a town notified in this behalf by the Government, is in excess of 10 per cent of his gross total income, a deduction should be allowed in computing his total income, in respect of such excess, subject to a maximum of Rs. 300 per month or 15 per cent of the gross total income, whichever is less. No distinction need be made for this purpose between furnished and unfurnished accommodation. The deduction should be restricted only to an individual who does not own any house property himself and whose spouse, minor children or the Hindu undivided family of which he is a member, does not own any house property either.

265. The present circular of the Board on the subject of scrutiny of actual expenses out of special allowances exempt under Section 10(14) of the Income-tax Act, should be withdrawn. Instead, instructions should be issued to officers to occasionally check such cases to see that the allowance has actually been spent. Normally, such check should be confined to allowances of more than Rs. 50 per day.

266. Exemption available in respect of the income of provident and superannuation funds under section 10(25) of the Income-tax Act may be extended to income of gratuity funds also.

267. The exemption allowed by Section 27 (10) of the Income-tax Act in respect of income from livestock breeding, poultry and dairy farming may be withdrawn. In order to ensure that small assesses are not hard hit, such income should be includible in the total income only if it exceeds Rs. 3,000 in the aggregate.

268. In computing salary income, the allowance for books may be raised to Rs. 1,000 from the present limit of Rs. 500.

269. The present deduction of Rs. 200 p.m. allowable to an employee owning and using a car for the purpose of his employment, and not in receipt of a conveyance allowance, should be raised to Rs.250 p.m. The allowance admissible to employees, other than car owners, has been increased recently.

270. The deduction admissible under Section 16(ii) of the Income-tax Act in respect of entertainment allowance may be withdrawn.

271. Self-occupation benefit in respect of an additional house should be admissible only if the two houses are situated at different stations.

272. The deduction for repairs in computing income

from property should continue to be one-sixth of the annual letting value. However, the law may be amended to restrict the allowance to the actual amount spent on repairs in cases where the claim exceeds Rs. 1,000. Where any part of the deduction is disallowed for the reason that the amount has not been spent, it should be carried forward and allowed in any of the following five years to the extent the actual expenditure incurred on repairs in such year exceeds the admissible allowance for that year.

273. Development rebate has outlived its utility and has been rightly withdrawn.

274. The Government may consider the following, among others, for purposes of amortisation:

- (a) Lump sum payments for technical know-how;
- (b) Expenditure on 'amalgamation' or 'merger' of companies;
- (c) Administrative expenses incurred before the commencement of business.

275. A specific provision in the law may be made to permit deduction, in the computation of income from business or profession, of all expenses pertaining to income-tax appeals, revisions and references.

276. Any amendment to the law for allowing wealth tax as an admissible deduction in computing the taxable income is not favoured.

277. For the purpose of computing capital gains relating to Hindu undivided family property which was previously the property of an individual, a provision similar to that contained in Section 49(1) may be made to define the cost in such cases as the cost to the individual who converted the property into family property plus the cost of improvements thereto.

278. Fees paid to authorised representatives for conducting income-tax proceedings, including appeals, revisions and references, may be allowed as deduction in computing income from all sources.

279. Extension of the higher limits prescribed under Section 80C for authors, playwrights, artists, musicians and actors to cover individuals in other professions is not favoured.

280. Policies for deferred annuity with cash option should be disqualified from deduction under Section 80C of the Income-tax Act.

281. The scheme of allowing deduction in respect of premia paid for securing retirement annuity may be extended to cover all individuals engaged in business, profession or vocation, whether as proprietors or in partnership.

282. The deduction in respect of eligible donations under Section 80G both for companies and others should be uniformly fixed at 50 per cent.

283. The deduction under Section 80H in case of new industrial undertakings employing displaced persons may be deleted.

284. The deduction under Section 80I of the Income-tax Act in respect of the profits of priority industries may be abolished.

285. Further liberalisation of the provisions of Section 80O of the Income-tax Act so as to exempt all income derived from foreign sources in consideration of services rendered abroad is not considered necessary.

286. Co-operative societies should be subjected to company rates of tax on their assessable income.

287. The exemption of dividends from co-operative societies from levy of tax may be withdrawn. Instead,

dividends from cooperative societies may be considered on par with dividends from companies and allowed such benefit as may be admissible under Section 80L of the Income-tax Act.

288. The provisions of Section 80QQ of the Income-tax Act may be amended so as to restrict the deduction to only those cases where no subsidy is received.

289. Deduction should be allowed at progressively diminishing rates ranging from 25 per cent to 5 per cent from the professional income of authors, playwrights, painters and sculptors derived from Indian sources as well.

290. Any general increase in the wealth tax exemption limit is not favoured.

291. Amounts invested by a person in his own business carried on by him as proprietor or in partnership may be exempted from wealth tax, subject to the limits laid down in Section 5(1A) of the Wealth Tax Act. Further, the restriction of six months in Section 5(3) of the Wealth Tax Act is unnecessary and may be deleted.

292. The exemption under Section 5(1) (iv) of the Wealth Tax Act should be available only in respect of property used exclusively by the assessee for his residential purposes. As an added incentive, newly constructed residential houses may be exempted for a period of 5 years even if the property is let out. The value of such let out residential property together with the value of self-occupied residential property will be exempted upto a total amount of Rs. one lakh.

293. The basic exemption slab should be available to all taxpayers irrespective of the size of their net wealth.

294. The proviso to Section 5(1) (v) of the Wealth Tax Act may be deleted, but the exemption may be made available only to the author or inventor himself and not to any other person who acquires the patent or copyright by inheritance, contract or otherwise.

295. Clause (xx) of Section 5(1) of the Wealth Tax Act may be amended so as to make the exemption in respect of initial issue of equity share capital of certain companies available for a period of five years from the date of allotment of shares. The exemption may be continued beyond 31st May, 1971.

296. Clause (iii) of Section 5(1) of the Gift Tax Act exempting from gift-tax certain savings certificates may be deleted.

297. The exemption under Section 33(1)(h) of the Estate Duty Act in respect of moneys payable under a life insurance policy effected by the deceased on his life may be raised from Rs. 5,000 to Rs. 10,000.

298. The word 'female' occurring in Section 33(1)(k) of the Estate Duty Act may be omitted.

299. The exemption in respect of a residential house under Section 33(1)(n) of the Estate Duty Act may be rescinded. Instead, it is desirable to raise the basic exemption limit for estate duty.

300. Property of all civil servants killed in the performance of their duty may be exempted from estate duty.

301. The basic exemption limit for estate duty may be raised to Rs. 2 lakhs from the present Rs. 50,000.

#### Suggestions for Additional Incentives

302. A National Development Fund should be estab-

lished to which all tax-payers, other than companies, may contribute on a voluntary basis. It may be made clear that the Fund will be earmarked for utilisation by Government on development projects only. The contribution to the Fund in any financial year should be subject to a ceiling of 10 per cent of the gross total income of the tax-payer or Rs.20,000, whichever is less. A percentage of the contribution should be allowed as a deduction in computing the total income in the same way as under Section 80C of the Income-tax Act, 1961, in respect of contributions to a provident fund or payments towards life insurance premia, viz. 100 per cent of the first Rs. 1,000 of the qualifying amount, 50 per cent of the next Rs. 4,000 and 40 per cent of the balance. However, this deduction should be in addition to that admissible at present under Section 80C of the Act.

The contributions to the Fund will be blocked for a period of 7 years. The amount on repayment after 7 years will not be liable to tax. The rate of interest may be not less than 4-1/2 per cent, but the interest may be subject to income-tax. As an added incentive, the investment in the Fund may be exempted from wealth tax also.

303. Credit facilities may be allowed to tax-payers by the nationalised banks against the collateral security of their deposits in the National Development Fund within the framework of the credit policy as laid down by the Reserve Bank of India from time to time.

304. The scheme envisaged in para 303 above would help in mobilising the much-needed resources without causing any undue strain on the tax-payers' purse or the revenues and without placing any excessive burden on the administration.

305. Re-introduction of relief in any form in respect of earned income is not favoured.

306. Any enlargement of the existing concession in respect of self-occupied property is not considered necessary. At the same time, there is no justification for withdrawing it either.

307. A deduction of Rs.5,000 may be allowed under Chapter VI A of the Income-Tax Act, in addition to the basic exemption, to a registered medical practitioner who practices in rural areas and does not have a clinic in any urban area.

308. For encouraging industrialisation of backward areas, a concession in the form of accelerated depreciation equal to one and one half times the amount of depreciation which would otherwise have been allowable, may be given to tax-payers who establish new industrial units in notified areas, in respect of their fixed assets.

309. Tax rebate ranging from 5 per cent to 10 per cent of the tax payable may be allowed to an assessee in respect of income derived from a labour-oriented industrial unit newly set up after a specified date. The rebate should be available for a period of 5 years beginning from the year in which the operations commence.

310. Incentives suggested for employment oriented industries, a lower capital levy in the case of small companies and the recommendation made for deduction of distributed profits should take care of the small-scale industries and no additional measures are considered necessary.

311. A Reconstruction and Stabilisation Reserve Fund may be established to which all companies may contribute upto a maximum of 10 per cent of their gross total income. The contributions will be allowed to be deducted in arriving at the total income of the companies for tax purposes. To be

eligible for deduction the deposits may be made at any time during the account year or within six months of the close of the account year. The Government will pay interest of 6 per cent per annum on these deposits and the amount of interest will be subject to tax. Unlike the National Development Fund for the non-corporate sector, no overdraft facilities will be allowed on the security of these deposits. The companies will be free to withdraw at any time upto 50 per cent of the deposits for current repairs to buildings or plant and machinery, and for research, but the amount withdrawn shall be deemed to be income of the year in which it is withdrawn. The remaining 50 per cent of the deposits will remain blocked for a period of 5 years during which no withdrawals will be permitted. After 5 years, the amount may be withdrawn with the approval of the Government for expansion and development purposes only, including employees' housing. The amount of withdrawal will not be subjected to tax as income but will be deducted from the cost of assets for purposes of depreciation. The deposits in the Fund will not, however, be exempt from the capital levy suggested in para 5.89.

312. An incentive by way of a tax rebate may be allowed to companies, engaged in the manufacture or production of specified goods, to reward additional productivity, i.e., increased utilisation of installed capacity and increased production. The rebate may be in the form of a deduction ranging from 5 to 10 per cent of the tax payable for every 10 per cent increase in output. For this purpose, suitable norms may be evolved by competent authorities for each industry/unit and these may be announced well in advance.

313. In the case of small companies with paid up capital not exceeding Rs. 5 lakhs, distributed profits upto 8 per cent of the paid-up capital or Rs. 25,000, whichever is less, may be totally exempted from tax by showing the same to be deducted in computing the total income. In the case of companies with paid up capital exceeding Rs. 5 lakhs distributed profits upto 8 per cent of the paid up capital should be taxed at the rate of 30 per cent. To prevent avoidance of tax by companies enlarging their capital base by issue of bonus shares, the bonus share capital should be excluded for this purpose.

314. Section 104 of the Income-Tax Act relating to compulsory distribution of dividends may be omitted.

315. All domestic companies, whether public or private, widely-held or closely-held, and industrial or non-industrial should be taxed at a uniform rate of 55 per cent.

316. The existing distinction in the matter of rate of tax applicable to widely-held companies with income not exceeding Rs. 50,000 and others may be done away with, and both taxed at the rate of 55 per cent.

317. Surtax on companies should be abolished.

318. A tax on capital of companies may be introduced. Such a tax may be imposed with reference to the valuation date as defined in the Wealth Tax Act, 1957. The capital for this purpose may be defined as 'owned' and 'borrowed' capital of companies and such a tax may be fixed at a general flat rate of 1 per cent; a differential treatment in the form of either a basic exemption or a lower tax rate may be prescribed for small companies. Even public sector companies should be brought within the purview of such a tax, though it might only mean transfer of the amount from one pocket to another of the Government.

The term 'owned capital' may be defined for this purpose as paid-up capital of the company and reserves, other than reserves for specific contingent liabilities. The term 'borrowed capital' should be defined as an amount calculated at eight times the net interest paid by the company towards borrowings during the year.

New industrial companies may be exempted from the capital levy for a period of five years from the date of their incorporation.

## TAX ADMINISTRATION

### Introductory

319. Shortcomings in tax administration can frustrate even the best of tax policies. The recommendations on tax administration will have to receive precedence if the measures suggested in the other Chapters are to yield the desired results.

320. The ills that beset the tax administration are many and it is hardly surprising that both tax evasion and tax arrears have assumed menacing proportions.

321. Though additions to the numerical strength at various levels have been made from time to time, they were not commensurate with the increased work-load.

322. Without certain basic changes in its set-up and methods, the tax administration will not be in a position to meet the challenge posed by the increasing number of taxpayers as also of tax dodgers and defaulters.

### Organisational Set-Up

323. The Central Board of Direct Taxes, which is the creation of a statute, viz., the Central Board of Revenue Act, 1963, should be reconstituted as an independent and autonomous Board with five Members including its Chairman, but excluding Member (Finance), if any. The Chairman and Members should have the same status and draw, respectively, the same emoluments as a Secretary and Additional Secretaries to the Government of India and should be appointed as a rule from among the personnel of the Income-tax Service. The Government should scrupulously respect its autonomy and independence and should refrain from giving any directions in individual cases, though it could issue directions of a general nature. The Board will submit to the Parliament an annual report on the management and performance of the Department.

324. The Central Board of Direct Taxes should not be a part of the Ministry of Finance. As it happens, the Secretariat officers function in an environment where they are susceptible to political influences. It is of the highest importance that, in matters of taxation, the rule of law prevails strictly and impartially and there should be no outside influence. The direct tax laws administration should be insulated from political pressures and the Government should publicly declare that by constituting an independent Board, they intend to respect its autonomy both in law and practice.

325. The Central Board of Direct Taxes should ordinarily act as a body on all matters of general importance.

326. A senior Member of the Central Board of Direct Taxes should be made responsible for matters relating to personnel. He should also be responsible for vigilance func-

tions and administrative planning relating to both men and facilities.

327. The Board should be given large financial powers by making a separate delegation of financial powers in respect of it on the lines of the P&T Board on its reorganization in 1959. A procedure may also be evolved by which the Board is enabled to exercise its financial powers effectively. Such powers are absolutely necessary if the Board is to discharge adequately its responsibility of running the Department efficiently.

328. Officers posted in the office of the Central Board of Direct Taxes should continue to draw special pay as at present. These officers should hold the posts on a fixed tenure of not more than five years.

329. There is no case for abolishing the Directorate of Inspection altogether.

330. A Member of the Central Board of Direct Taxes should be in direct charge of intelligence and investigation work. The Directorate of Inspection (Investigation) may be abolished.

331. No changes are considered necessary in the set-up and functions of the Directorate of Inspection (Income-tax and Audit).

332. The present Directorate of Inspection (Research, Statistics and Publication) should be split up into two distinct units, one a Directorate of Publications and Public Relations, and the other a Directorate of Research and Statistics.

333. The Directorate of Publications and Public Relations should be in charge of all publications required for the guidance of the officials and for the education of tax-payers. The Directorate should also arrange to produce material for effective tax-payer education on the lines recommended elsewhere in this report.

334. As research and statistics are inter-dependent, the two should be under one Directorate. The Directorate of Research and Statistics should be organised and developed as a Tax Research Institute within the Department. It should be headed by a person with requisite academic qualifications and research experience, and manned by persons having the necessary background and aptitude for research work, irrespective of their seniority. Officers posted to the Institute should be retained there for a sufficiently long time to enable them to make a worthwhile contribution.

335. There is wide scope for intelligent and useful research work relating to taxation.

336. Specialised statistics may be compiled for companies and issued separately, after making suitable changes in the statistical forms. Simplified statistics may be evolved for the large number of 'summary' assessments of non-company assesses that will be made on the basis of the returns. Statistics can be diversified in a variety of other ways to provide additional information.

337. Modern methods of compilation and processing of statistics should be adopted, leading to computerised data processing so as to facilitate their publication soon after the close of the financial year. For this purpose, some officers of the Department may be deputed for training, and their services utilised for organising the work on sound and modern lines. To clear the backlog, the Department should seek the assistance of outside agencies and bring the work of compilation and publication of statistics up to date.

338. The O. & P. Division of the Board should be wound



up and instead a separate Directorate should be created for carrying out organisation and methods studies and developing organisational patterns and procedures to suit the changing complexity of law and work.

339. The Directorate of Organisation and Methods will be responsible for systems and procedures analysis, job surveys, planning office layout, advising on equipments etc.

340. This Directorate can assist in eliminating useless forms, reports and registers. No form, report or register should be introduced at any level without its approval. Further, it should give particular attention to the design and get-up of the forms and registers in use.

341. The Directorate of Organisation and Methods should, on the basis of appropriate studies, prescribe realistic performance targets and formulate precise and accurate methods of judging output at all levels.

342. The Directors in charge of the Directorates should, as at present, be of the rank of Commissioners and draw a special pay. Their duties involve specialist functions and their selection should be made on the basis of merit, rather than on the basis of seniority. The Deputy Directors and Assistant Directors should similarly be selected on the basis of their background, qualifications and aptitude for particular type of work, rather than seniority. The special pay for them which is at present Rs. 150 and Rs. 75, should be raised to Rs. 300 and Rs. 200 respectively.

The designation of the Directors should be changed as Directors General and the Directorates themselves should be renamed as Directorate-General of Income-tax (Inspection and Audit), Directorate-General of Income-tax (Publications and Public Relations), Directorate-General of Income-tax (Research and Statistics) and Directorate-General of Income-Tax (Organisation and Methods). The Deputy Directors and Assistant Directors may also be redesignated as Deputy Directors General and Assistant Directors General respectively.

The staff in the Directorates should be selected from the Commissioners' charges on the basis of their confidential rolls and they should be posted in the next higher grade in the Directorate on tenure basis and they should continue to be entitled to take departmental examinations for Inspectors and Income-tax Officers Class II.

343. The suggestion to create an intermediate level of authority between the Board and the Commissioners, designated as Regional Commissioner, is not approved.

344. Recently, the pressure of work on the Commissioner has been sought to be relieved by delegating some of their work to a new cadre of Additional Commissioners who function as parallel authorities not subordinate to the Commissioners. The real remedy lies in increasing the number of Commissioners and creating smaller charges with the manageable workload. The Commissioners' charges should be so reorganised and their number so increased that each Commissioner may have not more than 40 Income-tax Officers under him.

345. Since most of the States have more than one Commissioner, headquarters of different Commissioners should be situated in different cities.

346. City charges should remain joint as at present, with the senior Commissioner drawing special pay and being in charge of administration. Where necessary, he could be assisted by an Additional Commissioner.

347. Each Commissioner should have only one Income-tax Officer at the headquarters to act as head of office and to attend to routine office administration only. In addition, the Commissioners will have expert staff assistance to enable them to give instructions in, and follow up, every prosecution case to its logical end.

348. The Additional Commissioner should be administratively subordinate to the Commissioner so that he fits into the hierarchy, assumes authority over those below in the line and becomes responsible to those above.

349. An Additional Commissioner may be entrusted with any one of the following duties:

- (a) To be in charge of recovery of taxes;
- (b) To assist senior Commissioners in city charges, where necessary, in administration;
- (c) To hear appeals against orders of assessment passed by Assistant Commissioners.

350. An Inspecting Assistant Commissioner should not have more than 10 Income-tax Officers under him.

351. The suggestion that all posts of Income-tax Officers Class II should be converted into Class I is not approved. What needs to be done is to classify jobs according to their importance and then assign cases to officers according to the degree of responsibility involved.

352. Posts of Head Clerks and Supervisors which are open to unqualified Upper Division Clerks should be replaced by posts of Inspectors (Supervision). The posts of Inspectors (Field) and Inspectors (Supervision) should be interchangeable.

353. One-third of the present cadre strength of Upper Division Clerks may be up-graded to a higher cadre of Tax Assistants to be posted in companies circles and investigation circles in place of Upper Division Clerks. The post of Tax Assistant should be a selection post.

354. Posts of Lower Division Clerks are meant for routine duties and their cadre strength should be kept at a minimum.

## Personnel Policy

355. Personnel policy is an integral part of any administrative system. There have been certain glaring anomalies and obvious inconsistencies in the policy hitherto followed by the Department in the matter of recruitment, promotions, job classifications, etc.

356. With a view to ensuring that persons of high calibre may be recruited to the Service, the candidates who take the combined competitive examination and opt for the Income-tax Service should also be required to take two additional papers as for the Indian Administrative Service and Indian Foreign Service. For the Income-tax Service, preference should be given to candidates with law and accountancy qualifications.

357. The class II cadre in the Income-tax Department should be filled up exclusively by promotion from the non-gazetted grades below.

358. Direct recruitment to the grades of Inspector and Upper Division Clerk should be made through a competitive examination open to graduates only.

359. Merit and merit alone should be the criterion for appointment to higher posts and this principle should not remain a mere theory but should be markedly evident in



practice.

360. Utmost care has to be taken to ensure objectivity in assessing the performance of the officers and suitable additional norms may also be evolved.

361. All vacancies in the grade of Income-tax Officer Class II should be filled up on the basis of merit by promoting qualified Inspectors, who have passed the departmental examination for Income-tax Officers.

362. With immediate effect, the quota of promotions from Class II to Class I should be temporarily raised to 66-2/3 per cent till such time as all the surplus promotee officers in Class I including the recent ad hoc promotees are absorbed. In view of the suggested increase in quota, the weightage in seniority for promotee officers may be reduced to a period of 18 months. There should be no promotions to Class I till the present excess is fully absorbed.

363. After the present excess has been absorbed, the quota should be revised to 66-2/3 per cent for direct recruits and 33-1/3 per cent for promotions. There should be two scales for Income-tax Officers Class I, a senior scale and a junior scale, as in the Indian Administrative Service. Class II officers should be eligible for promotion on the basis of merit to the senior scale in Class I after 10 years of qualifying service. The number of promotions in each year will be so adjusted that the percentage of all promotee officers in the senior duty posts remains at 33-1/3 per cent. Such promoted officers will have their seniority in Class I (senior scale) with effect from the date of continuous appointment to Class I, provided there is a vacancy in the prescribed quota of 33-1/3 per cent, of senior duty posts.

364. Promotions to the grade of Assistant Commissioners, Additional Commissioners, Commissioners and Members of the Board should be made strictly according to merit.

365. 20 per cent of the vacancies in the grade of Upper Division Clerks should be filled by promoting Lower Division Clerks, subject to availability of suitable candidates. The promotion should be on the basis of seniority-cum-fitness, subject to qualifying in a departmental test.

366. Vacancies in the grade of Tax Assistants should be filled up entirely by promoting qualified Upper Division Clerks on the basis of merit.

367. 50 per cent of the vacancies in the Inspectors' grade should be filled up on the basis of merit by promoting qualified Tax Assistants and Upper Division Clerks, who have passed the departmental examination for Inspectors. Stenographers should also be allowed to take the departmental examination for Inspectors and those who qualify should be considered along with Upper Division Clerks and Tax Assistants for promotion as Inspectors.

368. The need to be generous in the matter of pay scales assumes special significance in a revenue department where officers have to deal with wealthy and powerful tax-payers and have to resist the temptations placed in their way.

369. The pay scales of the Income-tax Service should be brought on par with those of the Indian Administrative Service. The present Class I scale for Income-tax Officers may be split up into a senior scale and a junior scale. The following pay scales are recommended for the officers in the Income-tax Department:

Income-tax Officer Class II — Rs.400-40-800-50-1,000

Income-tax Officer Class I — Junior scale—Rs.450-50-1,000.  
Senior scale—Rs.900 (6th year or under) -50-1200-60-1,800.  
Assistant Commissioner—Rs.1,800-100-2,000.  
Additional Commissioner—Rs.2,000-125/2-2,250.  
Commissioner—Rs.2,500-125/2-2,750.  
Member—Rs.3,000.  
Chairman—Rs.3,500.

If any changes are made in the pay scales of the Indian Administrative Service as a result of the recommendations of the Third Pay Commission, the scales in the Income-tax Service should be correspondingly revised.

370. Officers of the Income-tax Department promoted from Class II to Class I should get the benefit given to the other Established Services. In the new pay scales recommended, the pay of an officer promoted from Class II to the senior scale of Class I should be so fixed that he gets a minimum increase of Rs. 150 per month in pay.

371. Class II officers who are required to hold charges meant for senior Class I officers should be compensated for the higher responsibilities that they are required to shoulder, by the grant of an officiating or charge allowance of Rs. 150 per month in addition to their grade of pay in Class II.

372. The following pay scales are recommended for the non-gazetted staff:

Inspector - 300-15-420-20-600.  
Tax Assistant - Rs.300-15-450.  
Upper Division Clerk - Rs.200-10-350.  
Lower Division Clerk - Rs.150-5-200-10-250.

The scale of pay for Stenographers should be the same as for those in the Central Secretariat. For the Class IV staff, the pay scales may be the same as prevailing in other departments.

373. The pay scales recommended are exclusive of all allowances, such as dearness allowance/pay, compensatory allowance, house rent allowance etc.

374. Class I Income-tax Officers in the proposed senior scale should be designated as Assistant Commissioners or, in the alternative, as Senior Income-tax Officers.

375. Assistant Commissioners in the Income-tax Department should be redesignated as Deputy Commissioners, irrespective of the change in the designation of Income-tax Officers Class I. They may be called Deputy Commissioners of Income-tax (Appeals), (Inspection) or (Assessment) depending on the duties assigned.

376. Sending officers on deputation helps to broaden their vision and develop their personality and gives them a varied experience. A much larger percentage of the officers of the Income-tax Service should be deputed to other departments, such as Foreign Trade and Company Law, and public sector undertakings like the Life Insurance Corporation, banks etc.

377. Training facilities in the Income-tax Department are woefully inadequate. The lack of adequate training facilities has contributed in no small measure to the prevailing inefficiency in the Department. Urgent steps are required to be taken to revitalise the training wing of the Department. The Head of the Staff College should be re-designated as Director-General of Training and allowed a special pay in addition to his pay as Commissioner. He should be in over-

all charge of all training establishments. There should be a cell under the Director-General for preparing specialised training manuals for all trainees, whether officers or clerical or executive staff.

378. The training institution at Nagpur should be provided with qualified whole-time instructors of the rank of Assistant Commissioners one for each subject. The institution should be equipped with modern teaching aids and there should be a good library to cater adequately to the requirements of the large number of trainees. The probationary officers on their first posting should be attached with senior Income-tax Officers for practical training for a period of six months. Apart from the initial training course for directly recruited Class I officers, the College should run refresher courses of two months' duration for Class I Income-tax Officers who should be required to attend the course at least twice before they are promoted as Assistant Commissioners. Specialised courses in investigation and intelligence for officers should also be conducted. The institution should also arrange to train instructors at all levels. The services of the persons so trained may then be utilised as instructors.

379. There should be adequate arrangements for the lodging of trainees and each one of them should be provided with an independent room with attached toilet facilities. Similarly there should be adequate provision for both indoor and outdoor games.

380. As in the Indian Administrative Service, the seniority of probationary Class I Income-tax Officers should be determined taking into account their record in the Staff College and the marks obtained by them in the competitive examination as also in departmental examinations.

381. The Tax Research Institute should arrange to conduct orientation courses for senior officers like Commissioners, Additional Commissioners and Assistant Commissioners. Every officer newly promoted to these grades should attend this course, which should include training in management.

382. Zonal/Regional training institutions should be established for initial training of Income-tax Officers Class II and Inspectors and also for periodical refresher courses for them.

383. No member of the clerical staff should be put on regular work unless he has completed a prescribed course of initial training. At each Commissioner's headquarters, local arrangements should be made for training newly recruited Lower Division and Upper Division Clerks. One Income-tax Officer Class II should be exclusively in charge of such training. Officers, and experienced and senior members of the staff, should be asked to give lectures to the trainees, for which they should be paid honoraria. Adequate arrangements should also be made to impart intensive practical training. During training, there should be fortnightly tests for the trainees.

384. There should be a system of in-service training for Upper Division Clerks for a fortnight or so every year. The Department may introduce a system of postal tuition.

385. Adequate number of reserve posts should be created in each grade to provide sufficient cushion at all levels so that the normal functioning of the tax offices does not suffer by reason of the officials being away on training or on leave.

386. The Board should give top priority to construction

of adequate office accommodation at all places and the provision of suitable furniture and other essential facilities and aids for work.

387. Every officer should be provided with a set of Income-tax Reports to enable him to keep himself up-to-date in case-law, and well equipped reference libraries should be established in all bigger offices.

388. Forms should be supplied sufficiently in advance and in adequate quantities so that work does not get dislocated on account of chronic shortage from which the Department now seems to suffer. If adequate and prompt supply from the forms store by the prescribed date cannot be ensured, the Board/Commissioners should have full powers to get the forms printed elsewhere.

389. Simple mechanical aids such as calculators, tabulators, addressographs, numbering machines, copying machines, electrical type-writers etc., should be provided in adequate numbers to the tax offices, depending on the type of work required to be done. Electronic equipment such as computers could be used for processing statistics, checking tax deduction statements, matching information and such other bulk jobs.

390. The Directorate-General of Organisation and Methods should, on the basis of studies, evolve organisational patterns and prescribe the strength of personnel required for each unit on a rational basis. Thereafter advance planning will be necessary to ensure that the Department is adequately staffed in all its offices at all times.

391. Officers should ordinarily stay at one place for a minimum of 3 to 5 years. While transferring officers, the problem of language, medium of school instruction, etc. should be given due consideration. The present rule of six years' stay in charge for the purposes of intercharge transfer should go.

392. Officers in a revenue department should not be placed in a situation where they have to depend on taxpayers for their personal needs.

The Department should undertake a crash programme for providing adequate housing facilities in all stations to its officers and staff, particularly those liable to frequent transfers. Pending construction of quarters, which is likely to take time, the Government should take on lease private houses and allot them to the officers and staff of the Income-tax Department on the same terms as Government accommodation.

393. For Inspectors and clerical staff, a system of granting advance increments for good work should be introduced.

394. The vigilance machinery of the Department should be adequately strengthened. Every Commissioner should keep a close watch on the undesirable elements in his charge and should be required to send to the Board a half-yearly report on suspect officers with a bad reputation.

395. A statement of net worth, on the same pattern as suggested for adoption as a schedule to the income-tax return, should be prescribed for submission by all officers every year to their respective Heads of Departments. In the Income-tax Department, these statements will be forwarded, after scrutiny by the Commissioners, to the Central Board of Direct Taxes. Certain percentage of these statements will be checked by the Member (Personnel) of the Board.

#### Procedures and Methods of Work

396. The efficiency of an administration depends to a large extent on the efficacy of its procedures and methods.

397. The set-up in which the Income-tax Officer functions on the basis of fixed jurisdiction is unsuited to the present day requirements.

398. The Inspecting Assistant Commissioner's Range should be constituted as the basic jurisdictional unit. The Range may consist of a specified territory or have specified class of cases or even individual cases assigned to it. The Inspecting Assistant Commissioner and all the Income-tax Officers in his Range will have concurrent jurisdiction over all the cases in the Range. The distribution of cases as also the functions among the Income-tax Officers in the Range should be within the administrative competence of the Inspecting Assistant Commissioner. The Range will also be a managerial and administrative unit, with the Inspecting Assistant Commissioner planning, controlling and co-ordinating all the functions therein.

399. Section 124 of the Income-tax Act may be amended so as to clarify that concurrent jurisdiction might be exercised in respect of the same function relating to the same person or case.

Section 125 may be further amended to provide that the jurisdiction to perform functions of the Income-tax Officer might be held by the Inspecting Assistant Commissioner concurrently with the Income-tax Officers in his Range.

Section 119 may be amplified or a new section inserted to empower the Inspecting Assistant Commissioner to issue instructions to the Income-tax Officers even in individual cases on the lines suggested in the Chapter on Tax Arrears. Similar provisions may also be made in the Wealth Tax Act and Gift Tax Act.

400. Assessment and collection are distinct functions and their separation is absolutely necessary in the interest of both the taxpayer and the Department. The functional system should continue. The Government may, however, review the position of sub-division of functions in the assessment unit, particularly in the context of the new procedure for acceptance of returns in a large majority of cases. Steps should also be taken to improve the working of the scheme by providing adequate and trained staff and proper office accommodation, by improving storage facilities and filing procedures, and by tightening up supervision and control, and ensuring co-ordinated functioning. Items of work should be disposed of in a chronological order and watch kept on the age of pending items. The Inspecting Assistant Commissioner's Range should constitute a functional unit and the Inspecting Assistant Commissioner should be made responsible for its proper administration and co-ordination.

401. Separate staff for weeding should be provided by posting one or two weeders to each record room. A system of weeding should be evolved wherein the weeding notation is shown at the top of every paper as it is filed. It is also necessary that all papers in a file should be serially page-numbered.

402. Cases should be re-categorised as follows, irrespective of the source of income:

Category I-All cases with income exceeding Rs. 50,000.

Category II-Cases with income exceeding Rs. 25,000 but not exceeding Rs. 50,000 and also loss cases.

Category III-Cases with income exceeding Rs. 15,000 but not exceeding Rs. 25,000.

Category IV-All other cases.

403. Class II Officers and junior Class I Officers should be entrusted with assessment work under Section 143(1) of the Income-tax Act as also scrutiny cases where assessments have been re-opened under clause (a) of Section 143(2) on assesses' request and other scrutiny cases where the income does not exceed Rs. 25,000. All scrutiny cases with income above Rs. 25,000 and all investigation cases should be entrusted to senior Class I Income-tax Officers.

404. Assistant Commissioners should be entrusted with assessment work in all tax fraud cases and high revenue potential cases.

405. Steps should be taken immediately to classify all assessment charges according to the degree of responsibilities involved on the lines suggested above. The Board should scrupulously avoid posting junior officers to senior charges, except as a purely temporary measure for short duration.

406. Sections 193 and 194 of the Income-tax Act may be suitably amended so as to exempt payments of dividend and interest on securities not exceeding Rs. 200 to a person at a time from deduction of tax at source.

407. All deductions other than those by or on behalf of the Government may be required to be paid to the credit of the Government by the 10th day of the month next following the month in which the deduction is made.

408. The present system of the Department issuing notices for payment of advance tax should continue.

409. Making the last assessed tax as the basis for advance tax demand is not favoured.

410. The provisions of Section 212(3A) of the Income-tax Act should continue but its application should be restricted to companies only and the margin of 33-1/3 per cent should be reduced to 25 per cent.

411. Both interest and penal provisions should continue for dealing effectively with non-compliance or improper compliance with the requirements of law relating to filing of estimate and payment of advance tax.

412. The Gift Tax Act may be amended to authorise the tax-payer to take credit for the discount for advance payment and pay only 9/10 of the gift-tax due in the first instance itself.

413. The practice of issuing notices in all cases under Section 139(2) of the Income-tax Act should be discontinued. Return forms should, however, be mailed to all listed taxpayers in the months of May every financial year by ordinary post.

414. It should not be necessary that before a notice under Section 142(1) can be issued, the notice under section 139(2) must have been served. Section 142(1) may be amended and the word 'served' substituted by the word 'issued' with reference to the notice under Section 139(2) of the Income-tax Act.

415. Persons having only income from salary and no other income, in whose case tax has been correctly deducted at source, may be exempted from the liability to file returns under Section 139(1) of the Act, if the gross salary does not exceed Rs. 15,000.

416. To facilitate filing of returns, counters may be opened in each Inspecting Assistant Commissioner's Range for receiving returns, whether sent through post or by messenger. In mofussil charges, however, where the Inspecting Assistant Commissioner's Range will cover several towns,

such centralisation will not be possible and arrangements for receipt of returns should be made in each tax circle.

417. To facilitate refund of excess advance tax collected, Section 141A of the Income-tax Act may be amended to provide that the provisional assessment contemplated thereunder shall be made within six months from the date of filing of the return.

418. Selection of cases for scrutiny should be on random sampling basis and of such percentage of cases as will be consistent with the interest of revenue and availability of manpower.

419. It is not considered desirable to lay down a rigid procedure that in every case selected for scrutiny the accounts of 3 or 4 years should be examined.

420. In an attempt to clear the backlog of pending assessment, disposal targets have been stretched in recent years beyond the capacity of the Officers and staff. The Directorate of Organisation and Methods should help to evolve practical and rational work norms.

421. Raising of the income-tax exemption limit from its present level is not favoured.

422. The collection and accounting machinery and procedures of the Department require to be streamlined.

423. Tax payers should be supplied with challan forms on the pattern of bank pay-in-slips which they could themselves fill in and sign and utilise for making tax payments. Separate challan forms will be necessary for income-tax, tax deducted at source, wealth-tax, gift tax, etc. To eliminate possibilities of challans going astray on account of incomplete or incorrect particulars, the taxpayers may be properly educated to quote invariably their permanent account numbers. Where payment is made in response to a notice of demand, the tax-payer should also reproduce the Demand and Collections Register entry number (which should be indicated on the demand notice) at the appropriate places on all the foils of the challan. Treasuries/banks may be suitably instructed not to accept payments unless the relevant cages on the challan are properly filled in.

424. Four-foil challans should be introduced for all types of tax payments. While credit may be given to the tax-payer in the first instance on the basis of the additional foil, the Department must verify the payment with reference to original records.

425. Additional facilities for payment of tax should be provided in all big cities and major towns by opening branches of the State Bank in the premises of Income-tax offices. Additional counters could be opened seasonally when advance tax payments or payments of self-assessment tax become due. The suggestion that the Department itself should operate cash counters at the Income-tax offices is not favoured.

The suggestion that all nationalised banks should be authorised to receive payments of tax is not favoured. However, banks could, as part of their service to their account holders, arrange tax payments at the appropriate receiving offices and secure the challan receipts for them.

426. The separation of assessment and collection functions should be extended to cover all multi-officer Income-tax circles. In due course, the entire collection work in the city charges could be centralised and tax-payers' accounts maintained on the basis of permanent account numbers.

427. Ledger cards should be maintained in arrears cases

where more than one year's demand is outstanding. In all cases where ledger cards are maintained, half-yearly statements of accounts should be sent to the concerned taxpayers.

428. A simple and effective collection and accounting procedure is outlined in Appendix IX, which does not make too much of a deviation from the present procedure with which the Departmental personnel have been familiar over the years.

An annual reconciliation of the amounts of advance tax and self-assessment tax adjusted in any year should be made with the actual amounts paid in the respective years.

429. The Internal Audit Wing of the Department should exercise greater vigilance and check over the accounts of the Department.

430. Disciplinary action should be initiated in all cases where the refund voucher does not issue within seven days of the passing of the order.

431. Refund vouchers may be replaced by cheques and the system of advice note discontinued except in case of refunds exceeding Rs. 1 lakh.

432. Section 245 of the Income-tax Act may be suitably amended to give the tax-payer the right to set off the amount, or any part thereof, of any refund due to him, in consequence of an order of assessment, appeal or revision against any sum payable by him under the Income-tax Act, after giving an intimation to the Income-tax Officer of the proposed adjustment. To start with, this adjustment may not be allowed against payment of advance tax.

433. It is not feasible to allow interest on refunds upto the date of delivery of the refund voucher.

434. Completion of assessments on the basis of returns in most of the small cases, and avoiding over-pitched assessments in others, will reduce the number of appeals, and the man-power released can be diverted to making more and better assessments.

435. The suggestion that Appellate Assistant Commissioner should be placed outside the administrative control of the Central Board of Direct Taxes is not favoured.

436. Administrative control over the Appellate Assistant Commissioners should remain with the Board, and the Director of Inspection should carry out inspection of their offices once at least in every five years.

437. The suggestion that appeals in big cases should be heard by two Appellate Assistant Commissioners or that the Department should also be represented before the Appellate Assistant Commissioner is not favoured.

438. The suggestion that Tribunal Benches with more than two Members should be constituted for hearing bigger appeals or that Single Member Benches should be done away with is not approved as that would mean unnecessary wastage of man-power.

439. Assistant Commissioners with law qualifications and not less than three years' service as Appellate Assistant Commissioner or Senior Authorised Representative may be made eligible to apply for the post of Judicial Member in the Appellate Tribunal.

440. The revisionary powers of Commissioners should continue but they should be exercised by the Commissioner himself and not by an Additional Commissioner.

441. The Income-tax Act may be suitably amended to provide for the creation of permanent Tax Benches in the

High Courts. The Tax Benches should sit continuously so long as there is sufficient income-tax work to be attended to. To clear the present backlog in some of the High Courts, retired Judges may, if necessary, be appointed under Article 224A of the Constitution.

442. In order that provisions of section 257 of the Income-tax Act are invoked more often, the Commissioners should be advised to apply to the Tribunal for making direct references to the Supreme Court in appropriate cases.

443. Rule 29 of the Income-tax Appellate Tribunal Rules is adequate and no further provisions are necessary to bar admission of additional evidence at the appeal stage in cases where evidence was not produced at the assessment stage.

444. Section 146 of the Income-tax Act should remain. However, an application under Section 146 should be disposed of within 30 days and the time limit for appealing against an ex parte assessment should be 30 days from the date of service of an order rejecting the application under Section 146, where such application has been made.

445. Appellate Assistant Commissioners should invariably give a recomputation of the income in their orders.

446. In every case, a copy of the appeal order should be forwarded to the officer who passed the order appealed against, where the order has been substantially modified or reversed.

447. The special pay for Authorised Representatives should be raised to Rs. 300 p.m. for Assistant Commissioners and Rs. 200 p.m. for Income-tax Officers.

448. In future, only qualified accountants and lawyers should be allowed to represent assessee before the tax authorities. Clauses (v) and (vi) of Section 288(2) of the Income-tax Act may be deleted. There should, however, be no objection to B.Coms. and others assisting in the preparation of tax returns of assessee.

449. Section 288(3) which imposes two-year restriction on an officer of the Income-tax Department who has retired or resigned but is otherwise qualified to represent an assessee before tax authorities, may be dropped.

450. The law may be amended to enable the Income-tax Officer to pass a single order in respect of penalties under clauses (a), (b) and (c) of Section 271(1) and Section 273 of the Income-tax Act. Similar provisions may also be made in the Wealth Tax Act and Gifts Tax Act.

451. The requirement under Section 274(2) of the Income-tax Act, Section 18(3) of the Wealth-tax Act and section 17(3) of the Gifts Tax Act that penalties for concealment or furnishing of inaccurate particulars of income, wealth or gift should, under certain circumstances, be levied by the Inspecting Assistant Commissioner, may be done away with. Instead, it may be provided that in cases of this type where the assessment has been made by the Income-tax Officer, he should himself levy the penalty with the previous approval of the Inspecting Assistant Commissioner.

452. Certain conventions should be evolved that only such information as can readily be furnished from the registers, reports and compilations available with the Department is furnished in response to Parliament questions. Where information has to be culled from individual files, the Board must explain to the Minister that the time and effort required for collection of the information may be unduly high and he may seek instructions from the Parliament in this behalf.

453. Suggestions from the staff and officers should be encouraged by grant of suitable awards for such of them as are accepted and result in improvement of work or savings.

454. Plans and programmes trigger the administrative machinery into action and as such have an important role to play in any organisation. This important management concept has not received the attention it deserves in the Income-tax Department in India.

A special planning and programming cell should be created in the Board. The cell should be equipped with trained personnel and modern aids.

455. Steps should be taken to evolve methods and measures for ensuring planned operations and adequate disposal at the clerical level so that, when necessary, responsibility can be fixed for acts of omissions and commissions.

456. It is the prime duty of managers at different levels to peruse and study reports themselves and not depend on clerical assistance for comments. Reports which the top level managers do not consider necessary to personally peruse, can probably be eliminated altogether.

457. The quality of supervision in tax offices at various levels needs to be improved.

458. The administrative inspection of income-tax offices should also be done by the Inspecting Assistant Commissioner. Similarly the inspection of the Inspecting Assistant Commissioner's office should be done by the Commissioner also. The inspection of the Appellate Assistant Commissioner's office should continue to be done by the Director of Inspection. The inspections should be carried out by the Inspecting Officers themselves and not left to their subordinate staff. The Income-tax offices and the offices of the Inspecting Assistant Commissioners should be inspected once a year. The Appellate Assistant Commissioner's office should be inspected once at least in five years.

459. Inspection reports on the technical work should only comment on the Income-tax Officer's handling of the cases, and generally review his performance during the year.

460. The present organisation and functions of Internal Audit are broadly approved. However, it should exercise greater vigilance and check over the accounts of the Department. Internal Audit should not merely act as the watchdog of revenue but also protect the tax-payers' interests by looking into cases where credit for taxes paid was not given, or refunds were delayed. It should also comment on the adequacy of forms and procedures and send its suggestions to the Directorate-General of Organisation and Methods. The Inspecting Assistant Commissioner (Audit) should conduct studies and investigate the causes or reasons for mistakes commonly committed and offer suggestions to the Director of Inspection (Audit) for remedial measures.

461. The Central Board of Direct Taxes and Commissioners of Income-tax should ordinarily settle audit objections after securing the necessary information but without calling for 'explanation' from the Income-tax Officer. 'Explanations' should be asked only in cases of palpable mistakes or gross negligence or where binding judicial decisions or departmental instructions have not been followed.

462. In bigger cities, Assistant Commissioners should be posted to head the Public Relations Organisation and, in other places, senior Class I Income-tax Officers should be posted as Public Relations Officers; but an Inspecting Assistant Commissioner should be available to ensure quick dis-

posal of complaints, etc. The Public Relations Officer should closely watch the disposal of the matters referred by him to the Income-tax Officers and if they still remain undisposed of, he should report them to the next superior officer after one week.

463. It is the tax-payers' money that supports and runs the Government and any money spent on providing them reasonable facilities cannot be considered as waste of public funds. With the considerable reduction in the number of tax payers that will hereafter be required to attend the Income-tax Offices, it should be possible for the Department to improve tax-payer amenities without any appreciable increase in the financial outlay.

464. Well planned tax-payer assistance programmes should be organised, as such programmes constitute a powerful factor in improving public relations.

465. Suitable tax-payer assistance programmes may be drawn up to provide taxpayer information and education through T.V., Radio, films, press, booklets and publications. During the return filing period, and when advance tax instalments fall due, continuous messages should be carried to the tax-payers about the due dates and the errors to be avoided in filing returns. Arrangements should be made to answer telephone enquiries from tax-payers by responsible officials

and to help visitors to resolve their problems. They should be helped to get the appropriate forms which they require, and to fill them up properly.

466. A separate cell may be constituted in the Directorate of Publications and Public Relations for drawing up tax-payer education programmes and bringing out attractive brochures and publications, which should be regularly and promptly updated. The officers posted in Public Relations Organisation should also be given an orientation training course to adapt themselves for their role in providing tax-payer education.

467. The Law may be amended to authorise the Board to give advance rulings. Suitable fees may be prescribed for applications for such rulings so as to eliminate purposeless and academic queries. The Board should also have the option to reject an application and refuse a ruling. A ruling once given should be binding on the Government in the particular case only, though it will not bind the tax-payer.

468. To avoid delays and to ensure uniformity, a self-contained unit may be created in the Board's office for processing requests for advance rulings. The unit should include officers of the rank of Commissioner. The decisions should, however, issue under the authority of the Board.

## **RAILWAY ACCIDENT INVESTIGATION ON THE REAR-END COLLISION BETWEEN 324 DOWN ROURKELA HOWRAH EMU LOCAL AT TIKAPARA STATION SOUTH EASTERN RAILWAY, ON 24th FEBRUARY, 1972. Report, Delhi, Controller of Publications, 1975, 14p + ip.**

One-man Committee: Shri Arya Bhushan.

### **APPOINTMENT**

This Committee was constituted in accordance with Rule 10 of the Railway Board's Notification No.59-TTV/42/1 dated 11th April, 1966 to inquire into the rear-end collision between 324 Down Rourkela-Howrah Express train and M/6 Down Mecheda-Howrah EMU Local at Tikapara station of South Eastern Railway on 24-2-1972.

### **TERMS OF REFERENCE**

To inquire into the rear-end collision between 324 Down Rourkela-Howrah Express train and M-6 Down Mecheda-Howrah EMU Local at Tikapara station of South Eastern Railway on 24-2-1972.

### **CONTENTS**

Summary; The Accident; Casualties; The Inspection and Inquiry; The Trains; Passenger Occupation; The Damage; The Relief; Restoration of Traffic; Local Conditions; Summary of Evidence; Inspections, Observations and Tests; Discussions; Conclusions; Remarks and Recommendations;

### **Annexures I to III.**

### **CONCLUSIONS**

#### **Cause of the Accident**

From all available evidence and inspections and observations at site, I have come to the conclusion that the rear-end collision between 324 Down Rourkela-Howrah Express and M/6 down Mecheda-Howra suburban local at Tikapara on 24-2-72 was caused by the motorman of M/6 Down not having exercised caution and having driven his train at a speed in excess of what is permitted under General Rule 277, in poor visibility conditions after having passed the Automatic Signal AS-2 at 'ON'. The non-observance of the rule in all probability was due to his anxiety to clear the neutral section ahead where his train would have stalled, had he driven at a lower speed, and he was afraid of being attacked and manhandled by passengers in mob fury if this happened and the train was detained. Such instances have been experienced on several occasions in the past.

Motorman Parida is about 50 years old and was appointed in service on 6-9-1940 as a shed cooly. He has been working as Driver Grade 'B' from 5-6-64 and as a motorman from 14-8-1968. He has, therefore, had experience as a pas-

be issued to all the Railways in this connection. Till such time that a solution is found, the drivers should be warned of the danger in exceeding the speed limit when the visibility is restricted and should clearly be told not to do so even to clear the neutral section unless they have satisfied themselves

that the line is safe to take their train at a higher speed through the neutral section, by making his Assistant or the Guard walk the length of neutral section and well beyond it for an adequate distance.

## FACT FINDING COMMITTEE ON NEWSPAPER ECONOMICS, 1972. Report, New Delhi, Ministry of Information and Broadcasting, 1975, 2 Parts.

Chairman: Dr. Bhabatosh Datta.

Members: Shri R. Rajagopalan; Shri K.C. Raman; Shri I.P. Gupta; Bawa Shiv Charan Singh.

Member-Secretary: Shri G. Govindan (Proceeded on leave and Shri A. Datta-Majumdar was appointed in his place).

### APPOINTMENT

In pursuance of the decision to enquire into the economics of the Newspaper Industry, the Government of India in the Ministry of Information and Broadcasting have decided to set up a Fact Finding Committee on Newspaper Economics Vide Resolution No. 1913/72- Press dated 14 April, 1972.

### TERMS OF REFERENCE

- (1). to ascertain all the elements of the cost of production (including distribution to the reader) of the daily newspapers; and the relative magnitude of these elements in the different categories of newspapers;
- (2). to ascertain all the different elements of the total revenue earned by the newspapers; and the relative magnitude of these elements in the different categories of newspapers;
- (3). to study, under both the above items, the trends during the past few years and forecast, to the extent possible, the normal changes likely to occur in the next year or two;
- (4). to evolve norms for different elements of expenditure from the point of view of reasonableness combined with efficiency and examine the prevailing levels of expenditure with reference to such norms; and
- (5). on the basis of the above studies to record its findings in regard to the effect of restriction of newsprint supplies to different categories of newspapers and the fair prices to be charged by newspapers of different categories.

### CONTENTS

Part-I : Introduction; the daily press—general background; The economics of daily newspapers; Newspaper

production and capital equipment; Capital investments in Newspaper undertakings; Profitability of newspaper undertakings; Revenue and Costs of daily newspapers; The impact of 30 per cent cut in newspaper quota; Advertisements; Employment and wages; Newsprint production, import and distribution; Summary of recommendations; Appendices/Annexures.

Part-II : Organisation Code Numbers Annexure V/1; Summarised balance sheets of 63 Newspaper Undertakings enterprisewise; Annexures V15/1 to V/5163; Summarised profit and loss accounts of 63 Newspaper Undertakings Enterprisewise - Annexures V1/1/1 to VI/1/63.

### SUMMARY OF RECOMMENDATIONS

#### Chapter II (The Daily Press - General Background)

14.1 The Committee has worked out the circulation of dailies per thousand population for each of the principal languages in the country. For a similar calculation of the newspaper reading habit in each State/Union Territory, the Statewise break up of the circulation figures of every paper is required, which is not available at present. This calls for further research.

14.2 While the share of metropolitan dailies in total daily circulation fell from 46.5 per cent in 1967 to 39.1 per cent in 1973, the non-metropolitan dailies correspondingly increased their share from 53.5 per cent to over 60 per cent. This shows that the provincial and local papers are successfully competing with, and holding their own, against the metropolitan daily papers.

14.3 Although the break up of circulation of the metropolitan papers is available, similar break up in respect of the dailies published from the State capitals, other cities and smaller towns is not available. There is scope for research on the character and composition of readership of the dailies published from the respective areas.

14.4 To take any single year, say 1973, the total number of families on the Registrar's list was 820 while the number of families for which circulation figures were available was only 610. The total number of dailies which received newsprint allocation in the licensing year 1973-74 was much less - only 438. Our Committee sent out the questionnaire, in 1972, to 756 dailies taking into account 821 dailies on the record of the Registrar at the end of 1971, and then screened out papers which were known to be non-existent. As ex-

plained in Chapter I, the Committee was ultimately left with a list of 534 dailies which could really be said to exist at that point of time. The remaining papers numbering nearly 300 did not seem to exist at all. This underlines the need for regular and systematic weeding out of non-existent papers from the record of the Registrar so as to make the annual data on the press more realistic.

### Chapter III (The Economics of Daily Newspapers)

14.5 In the case of small industries in general, there are many which are open or concealed subsidiaries of larger units. It is necessary to institute a special enquiry as to whether such relationship exists between small papers and large papers.

14.6 There are a few Urdu papers with fairly large circulation ranging up to over 40,000 but most of the 92 Urdu papers in the country are small circulation papers and serve local population only. These papers have to bear additional costs for calligraphic work, as the readers are reported to be against any form of type-set presentation. The more important problem is that the readership is not expanding, unlike in the case of papers in other Indian languages, and the future seems to be uncertain, unless some special assistance is given, for example, in the form of bulk purchase of copies or supply of low-cost paper. Any steps that can induce the Urdu readers to accept type-set newspapers will bring down the cost of production.

14.7 If there is a strong case for making primary education and adult literacy universal and free and for providing text books free of cost, there is also a case for doing whatever is possible for increasing the number of newspaper readers and for providing newspapers at a reasonably low price. In a country with a population of nearly 60 crores (of whom nearly 40 crores are adults) and in a country with universal adult suffrage, the fact that the number of copies of newspapers sold is not even one crore is distressing. Even if there are five readers per copy of a daily newspaper the total number of newspaper readers will not be more than five crores. It should be a clearly recognised policy in planning for socio-economic improvement that cheap newspapers should be available to a much larger number of readers than at present.

14.8 If the newspaper industry, and particularly the Indian language newspaper industry, has to progress it is essential to develop a technology to suit the Indian conditions. With a view to achieving this goal, a research organisation similar to the Printing & Allied Trades Research Association (PATRA) in the U.K. should be set up. The Government should levy a cess on all newsprint sold in the country and use the amount collected for setting up a research organisation. Both the Government and the newspaper industry including big, medium, small and language papers, should be represented on this organisation.

14.9 Another scheme could be that the industry itself forms a body on the lines of the Nihon Shinbun Kyokai (NSK) in Japan. The NSK is a joint body of all the Japanese newspapers in which they study and find out solutions for all sorts of problems related to the management, editing, sales activities, advertising, printing etc.

14.10 In the interest of essential replacement and modernisation of machinery in the bigger newspapers, we recom-

mend the following percentages of the total foreign exchange ceiling available for the import of printing and composing machinery and allied items for big, medium and small newspapers, the definition of the categories remaining the same as at present laid down by the Registrar of newspapers:

Small	40	percent
Medium	35	percent
Big	25	percent

for replacement of plant and to meet increased circulation of existing dailies but not for starting new ones).

14.11 Apart from the exorbitant duty levied on printing machinery, another hardship experienced by newspapers is due to the restrictions on the import of certain essential spare parts. The import policy clearly states that all screws, bolts, nuts, washers, springs and electrical parts are banded items. These items used in the machinery imported by newspapers are not common hardware items which are generally manufactured in the country. Most of these are specially shaped, made of special material, the cost is prohibitive and it is reported that they wear out very quickly, resulting in stoppage of machinery.

14.12 Under these circumstances, all parts which are mentioned in the spare parts catalogue of the printing machinery should be freely allowed for import under the spare parts licences issued to the newspapers. This is all the more important in the case of electrical parts.

14.13 In our opinion the newspaper industry is a public service industry and should not be placed on par with other industries like cement, jute etc. If this view is accepted, it should also be readily conceded that the rates of import duty at present levied on items used by the newspaper industry needs revision. Apart from this, the cost of imported machinery has gone up considerably and the additional burden implied in the ad valorem basis of import duty will make it almost impossible to replace old machinery.

14.14 We recommend that the import duties on composing and printing machinery, flongs and other allied requirements of the newspaper industry should be as low as possible and should not, in any case, be higher than the originally operative rate of 10 per cent ad valorem.

14.15 Some Indian manufacturers have started producing not only small cylinder machines but are in the process of producing medium speed web-offset presses. Hindustan Machine Tools, with Italian collaboration, is manufacturing automatic tools, letter-press printing machines. This public sector undertaking might also explore the possibility of manufacturing composing machines and rotary presses (letterpress and offset) to suit the requirements of small and medium newspapers.

14.16 Profitability figures were studied by the Committee in terms of dividends declared, additions to retained earnings and rates of return on capital employed. These revealed that quite a few major newspaper concerns have been earning profits considerably in excess of the normal rate of return which Government generally allows in price fixation.

14.17 Losses suffered by the newspaper undertakings were generally insignificant. Those undertakings which made losses of some significance have been identified. Plausible reasons could not be established for losses in these undertakings within the limited scope of this study. It is recommended that a more detailed study of these concerns may be under-



taken to identify the causes that many lead to possible remedies.

14.18 While agreeing with the general principle that a newspaper should devote the greater part of its space to news and that, therefore, a 60:40 ratio between news and advertisement would be commendable, the Committee recognises the difficulties of the present situation. The Committee also takes account of the fact that the shortage of news-print will continue. If there is an increase in domestic production there will also be an increase in domestic demand and, therefore, the position will remain difficult. In these conditions, it is unrealistic to ask newspapers to limit the advertisement space to 40 per cent. But at the same time it will be unfair to the readers and ultimately suicidal to the newspapers themselves if a particular issue of 8-pages contains 3 full pages of advertisement (a page or two of which contain only a few lines of news, with advertisement filling up the rest of the space) and another page or two in which advertisement covers more than half of the space. It should not, therefore, be unreasonable to suggest that as long as the present shortage continued, the news-advertisement ratio in the total space should be around 50:50. When conditions improve, the advertisement space ratio should be brought down, with the 40 per cent ratio being regarded as the goal to be reached.

14.19 While circumstances may compel a newspaper to exceed this limit slightly in one issue or another, we feel that total space devoted to advertisements averaged out over a period of one week should not exceed the limit we have suggested.

14.25 Our Committee has only to point out that the domestic output of newsprint is not likely to reach the Plan target of 350,000 tonnes by 1978-79, but any large cost advantage will save foreign exchange and will make our newspapers function with an assured supply of a large part of their requirements.

14.26 In regard to packing of Nepa Newsprint, the main difficulty, according to Nepa management, was that the quality of the core obtained from outside sources was not of a high standard. It was stated that they were also using a poor quality of wrapping paper on account of its inexpensiveness. The Committee feels that a small increase in cost of the Nepa product due to use of superior packing materials is likely to be more than counter-balanced by the consequent reduction in waste at present suffered by publishers of newspapers.

14.27 We may draw the attention of the authorities in India to the standards laid down for newsprint production in Japan, called the Japanese Industrial Standards (Newsprint). These standards may be more appropriate to India than the standards applicable to Canadian or Scandinavian paper. The document giving the necessary details is reproduced at Appendix XI. 1.

14.28 It may not be possible for the Indian output to reach these standards all at once, but a body like the Indian Standards Institution should take up the matter and lay down specifications relevant to Indian conditions.

14.29 Our Committee is concerned with the technical problems only to the extent that these affect the cost of production. If any investment necessary for improving the quality can reduce these costs it will be justified when the additional expenditure is within economic limits. An improvement which increases the cost of production more than

proportionately may not be worthwhile. The Committee expects that full attention should be given to all these problems and that the grounds for complaint will disappear.

14.30 The Committee emphasises the need for research on various technical problems. It appears that the effort in this direction has been negligible till now. The Committee recommends not only research (either at the Nepa mills or elsewhere) on the broad problems of the use of Indian material for making newsprint or on the possibility of changing the ratio between chemical pulp and wood pulp but also research within the Nepa mills into the ways in which the technical defects can be remedied.

14.31 The Committee is not concerned with the fixation of Nepa price but it has to take note of anything that goes to increase such prices, as this will have a very important bearing on the cost of production of newspapers particularly of the small and medium papers.

14.32 The basic question, therefore, is whether it is justifiable to tax the readers of newspapers (whose numbers we all want to increase) particularly of the small and medium papers. If resources have got to be provided to any public sector industry for its development, there is no reason why the consumers of the products of that industry should be singled out for taxation. If the proposed principle is followed to its logical extreme, then the whole planning exercise becomes an exercise in generating separate surpluses in each industry for the development of that industry. The Committee feels that these factors should be taken into account in fixing a price for the Nepa products. It would also be emphasised that the consumers of a domestic product which can be produced within the country at a cost cheaper than the imports should get the benefit of the differential.

14.33 A simple and direct method helping the small and medium papers will be to reserve Nepa products for these two groups as a first priority as long as Nepa prices remain lower than the prices of imported newsprint.

14.34 The reservation of the Nepa output for the small and medium papers will give these papers a substantial cost advantage. This will also ensure for them a regular supply and thus obviate the financial difficulties of spending large amounts of money for short-notice offers of imported papers by the STC. As Nepa produces cut-sheets out of manufacturing wastes, the very small papers will get their material in a form ready for use. It would also be possible to arrange the actual distribution of Nepa output among small papers through the Small Industries Corporation and Industrial Development Corporations in the States.

14.35 The representatives of the IENS told the Committee that they would have no objection if the lower priced Nepa product were to be reserved for small and medium papers.

14.36 In the public interest, it is necessary not to permit the medium and small papers to opt out of the scheme. The medium and small papers should, therefore, take only Nepa paper, so as to prevent big papers from taking any advantage of the scheme.

14.37 The concessional supply of Nepa newsprint should, however, not be made available to those small and medium papers which are linked by common ownership to any of the big papers. This is necessary to further ensure that there is no improper transfer of Nepa products.

14.38 If the Committee's proposal regarding reservation

of nepa newsprint for small and medium papers is accepted, it will be necessary to take effective steps so that the low cost Nepa paper supplied on a priority basis to small and medium dailies, does not get transferred from one paper to another.

14.39 The Committee has been assured by the Nepa management that it would be easy to add a tint or light shade of colour (say, light pink) to the Nepa output, without any perceptible extra cost. If a distinctive colour is applied to the Nepa output and this output is sold only to a specially demarcated group of users, any transfer outside the group will be detected easily. The scope for transfer within the group will remain, but the dimensions of the regulatory problem will become much smaller than they are now. These steps should be accompanied by an absolute prohibition of the use of newsprint for any purpose other than printing newspapers and periodicals authorised by the Registrar. This should be enforced on the printing houses and they should be penalised if they use newsprint for books, leaflets, etc.

14.40 We received complaints from newspapers regarding delays in sanctioning allocations and also regarding the short period of 15 days allowed to them for lifting their quota once they have been informed by the STC about supplies being available. We recommend that consistent with the cautious scrutiny that is necessary, the time lag in issuing sanctions should be reduced. One way of doing this may be to stagger the dates prescribed for receiving applications. We also recommend that the period of time allowed for drawing the supplies from the STC should be increased from 15 days to one month.

#### Chapter XII (Norms of Expenditure and fair prices)

14.41 We recommend that the Government should resume the efforts to control the price of newspapers on the same lines as the prices of other essential commodities. For this purpose, it is necessary that a law like the Newspapers Price Control Act, 1972, which lapsed in May, 1974, should be re-enacted without imposing any time limit. Secondly, it is necessary to constitute an organisation under the Ministry of Information and Broadcasting, which will be continually available to the Ministry for advising on the question of newspaper prices and advertisement rates. We also recommend that the Government appoint a standing committee consisting of the Registrar of Newspapers for India, Chief Cost Accounts Officer, Government of India, and one other member, to keep a continuous watch on the movement of prices of newspapers. The Government may fix the selling price of newspapers, especially of the price leaders, after consultation with this body. It feels that the necessary legislative changes should be initiated as early as possible.

14.42 The newspapers should also be required to keep sufficient records (in addition to those that are presently maintained by the organised sector of the industry, namely, those registered under the Companies Act), to provide certain essential data for each daily.

14.43 The Committee feels that it is not practicable to determine norms of expenditure which will be followed for all the units within the newspaper industry or, even for any uncertainty about the availability and price of newsprint, any rigid formulation of expenditure norms is bound to become out of date soon.

14.44 The Committee feels the need for controlling the

prices of those dailies which are the price leaders and their rates for advertisement space. The basis on which a fair price may be fixed is indicated. Such a fair price should include normal cost of production and distribution, interest on borrowed funds, bonus to employees and a return, net after taxes, of 10 per cent on paid up capital and 6 per cent on reserves.

#### Monopoly and Restrictive Practices

14.45 Apart from the inter-links existing among the different Indian Express companies, there is a close link between the Indian Express Bombay Ltd. and the Janasatta of Ahmedabad and Rajkot. This Gujarati paper was originally owned by a partnership in which Traders (Private) Ltd., had nearly 76 per cent shares and there were six other partners holding remaining 24 per cent. The Indian Express was a tenant of Janasatta in the Janasatta building at Ahmedabad and also had advanced a large amount of money to the Gujarat paper - about Rs. 30 lakhs now including arrears of interest. The Traders (Private) Ltd., acquired the remaining 24 per cent shares of the other partners of Janasatta in January 1974 and thus became the full owner of the paper. There is no visible direct link between the Indian Express and Janasatta but the investment of Rs. 30 lakhs through the Traders (Private) Ltd., is a matter which deserves to be thoroughly investigated.

14.46 There are other similar cases of inter-links which do not appear on the surface. One of the most interesting cases is that of the small group who are connected with the Thanthi chain of papers and also with a parallel chain under the name of Malai Murasu.

14.47 In the interest of proper evaluation of the monopoly element in the Newspaper industry and its impact on prices, costs and profitability, the Committee recommends that the Central Government should, in the exercise of its powers under Section 43 of the Monopolies and Restrictive Trade Practices Act and all other powers enabling in that behalf, call upon the newspaper undertakings to furnish to the Government periodically information concerning the activities carried on by the undertaking, the connections between it and any other undertaking, including information as referred to in Section 43, to prevent monopolistic tendencies. The MRTP Commission should be given powers to examine any case of suspected monopoly in the field of newspaper without limitation to the value of the assets of the undertaking and the Central Government should be enabled, by suitable amendment of Section 31 of the MRTP Act, to refer the matter to the Commission for enquiry into monopolistic trade practices prevailing in respect of newspapers, irrespective of the fact that it is not a monopolistic undertaking within the meaning under Section 10 of the said Act to itself enquire into such practices upon its own knowledge or information. The newspapers provide a very essential service in the democratic structure and the potential of this mass media of valuable information makes it undesirable to allow monopoly elements to continue or to grow in this industry and service.

14.48 The Committee has taken note of the fact of price leadership by a small number of leading papers and has come to the conclusion that if prices of the major newspapers are kept at a reasonable level, the pricing of other papers will not

create any problem.

14.49 Full details are not available about restrictive practices in the newspaper industry. It may be desirable to examine the contracts between the newspaper firms and the distributing firms in order to uncover if there are any restrictive arrangements.

14.50 Certain other papers compel advertisers to pay a joint rate for its two office editions, without giving them the option to get the advertisements published only in the main edition. The advertisers have to pay the full rate based on the combined circulation of both the editions, even if they are not interested in getting their advertisements published in the smaller edition. The Committee considers this an instance of monopolistic trade practices prejudicial to public interest under Section 32 (a), (b) (ii) and (d) of the MRTP Act.

14.51 While it will not be desirable to put any limit on the total circulation of a paper and even on its share of the total market, a close watch has to be kept on the consequences of expansion and also on restrictive or unfair competitive methods used by a newspaper for boosting up sales or advertisement revenues. Unfair trade practices do not come under the scope of the existing law and suitable changes are necessary in this also. The Government should examine continuously whether any open or hidden amalgamation, merger, take-over, cartel arrangement, etc. are appearing on the scene. A suitable machinery should be devised for the purpose jointly by the Company Law Department and the Registrar of Newspapers. When it appears that restrictive practices are being adopted, the cases should be referred to the MRTP Commission.

14.52 If newspapers are accepted as a public service, it is essential that profits earned from newspapers should be ploughed back into the newspaper enterprise itself. Pending the adoption and implementation of the requisite legal measures, it will be desirable to take steps for checking the use of newspaper profits for non-newspaper purposes.

14.53 A special element to be noted is that, as a reaction to the demand for allocating equity rights to the employees, some newspapers have given employee-status to more and more members of the proprietary group.

14.54 If diffusion of ownership becomes really what it is intended to be, the shareholding must be widely distributed among large members, including of course employees outside the groups of original owners. This, it may be expected, will put an end to the practice of high-salaried appointments to the members of the owner-groups.

14.55 An undesirable development to which our attention has been drawn by the Federation of the Working Journalists is the formation of separate companies for holding the assets of a newspaper undertaking. These assets may include not only land and building but also such fixed equipment as printing machinery. The new company gets all the profits from the property and also rentals for the use of machinery by the newspaper undertakings. What really should be the profits of the newspaper come to be shown as the profits of a different company. The rent paid by the newspaper becomes an expenditure for it and thus keeps the apparent newspaper profits low.

14.56 The Committee came across instances of newspapers which framed out practically all their work to separate concerns, as in the case of Jai Hind, Rajkot. This

practice enables the newspaper undertaking by itself to work with a very small staff, while all the other persons who are performing important duties are kept outside the Wage Board awards.

14.57 The Committee would re-emphasise the recommendation of the Press Commission that, if it were possible, "every paper should be constituted as a separate unit so that its profits and losses are definitely ascertainable and both the proprietor and the employees know where they stand." The Commission also recommended that advertisements should be booked separately for each edition and the staff engaged for each paper should be easily identifiable. There will be separate types of problems for groups, chains and multiple editions, but these are matters of detail that can be settled easily. The Committee recommends that the accounts of each paper should clearly show its physical assets, personnel, revenues from different sources and the costs incurred for different purposes. Newspapers should keep their accounts on a uniform pattern and in a form which will be useful for analysis. The form should be designed by RNI in consultation with Government's Cost Accounts Department.

14.58 The terms of reference of the Committee related only to the economics of the newspapers industry, but in the course of studies, it came across matters, which, though not directly within the terms of reference, would have serious indirect impact on revenues, costs and profits. The Committee recommends that full investigation should be made into the affairs of those papers against which complaints of irregularity have been received from accredited organisations or have been discovered in the course of the Committee's study. Some of the important cases are listed below. (The cases listed are those of the Indian Express Group, the Thanthi-Malai Nurasu groups, the Statesman, Nav Bharat and Pioneer groups.)

14.59 If the payment of higher rates to the news agencies improves the quality and coverage of their service, the benefit will accrue to the newspapers themselves. The impression should not become strong that the newspaper owners, who also own the news agencies, are keeping the charges low with a view to getting a financial advantage for their papers. This should be considered along with two important facts. First, even if there is a 50 per cent increase in the charges for the services of the agencies, the net impact of that on the total cost of newspapers will be negligible and, secondly, except for the very big papers, any improvement in the quality and coverage of the news agency services will be a great advantage. For most of them the additional charge for the improved service and coverage will be considered smaller than the amount they will be required to spend if they want to get the same types of service through the employment of additional reporters and special representatives.

14.60 The problem of the working capital requirements cannot be solved by starting any specialised type of institutions. The remedy lies in regularising the supplies from the STC, so that the demand for funds may be spread over the year in a manner that can be anticipated and, therefore, planned for. It may also be examined whether STC, instead of insisting on cash payment, may take advantage of the bill discounting system, under which the seller draws a 90 days bill on the buyer, and on its acceptance by the buyer gets it discounted at the seller's bank. The seller gets the cash immediately and the buyer gets three months' time to pay. As

such bill will be drawn against a genuine production-based acquisition of goods, they will come within the accepted credit policy of the country.

14.61 There is no reason why a small newspaper should not get the type of assistance which is normally available to small industry. Even without going into the question whether newspaper publishing should be regarded as an industry, one can strongly urge that the facilities offered by the National Small Industries Development Corporation and other similar bodies should be available to small and medium papers if they satisfy the standard conditions regarding creditworthiness.

14.62 A few newspapers have obtained finance from the State Finance Corporations. This can be a more common practice and here also all that is necessary is that a newspaper publishers seeking term finance for acquiring productive capital assets should satisfy the normal requirements on which the State Finance Corporation insists. If the State Finance Corporation and the all-India financial institutions will offer their services to the newspapers, the need for a separate financing institution for newspapers alone will not arise.

14.63 If a Newspaper Finance Corporation becomes a necessity, that is, if the State and all-India financial institutions already in existence cannot be made to extend their operations to the field of newspapers, it will be advisable to make it a public sector enterprise. It is not essential that the Government, should directly finance and control such a body. The share capital can be provided, in pre-determined proportions by the term-financing institutions and also by the nationalised banks. The Government can offer initial assistance through an interest-free loan, or a loan carrying a low rate of interest and there may be two or three Government representatives on the Board. The majority of the members of the Board should come from the financing institutions and the banks. The Chairman and the Managing Director should be appointed by the Industrial Development Bank of India as in the case of the Industrial Reconstruction Corporation of India. An initial share capital of Rs. 1 crore and a loan of Rs. 2 crores from the Government should be adequate for a start, with the provision of a revenue account grant from the Government for meeting the administrative expenditure in the first three or five years.

14.64 It is necessary, however, to see that the creation of a Newspaper Finance Corporation does not lead to the emergence of the newspaper industry as a 'sick' industry. If the financing is not done on strictly economic considerations, it becomes a form of subsidy, which will raise a question about discrimination and favours.

14.65 If a Newspaper Finance Corporation becomes a necessity, it should not be an agency for discriminatory assistance. It should examine all cases with equally rigid standard before sanctioning assistance. It may offer rebates on interest for encouraging regular repayment and may also charge lower interest or small amounts and high interest on larger amounts. All this will be of help to the medium and smaller papers which will require assistance from the Corporation. The larger papers have an access to resources which are not available to the others.

14.66 In the case of domestic production of newsprint there is some waste in the manufacturing process. To the extent such waste is due to non-replacement of worn out parts

of the old machinery, it should be possible to improve the position when the first phase of the expansion programme of Nepa mills has been completed. It has been pointed out to us that manufacturing waste is due to some extent to erratic electricity cuts. This also should be capable of being eliminated or at least substantially reduced. The use of better quality wrapping paper for packing the reels and of better quality reel core may also contribute to reduction of waste in case of Nepa Newsprint.

14.67 Now that newsprint is very expensive, the port authorities should consider installing suitable apparatus for the proper handling of imported newsprint reels. The problem of handling newsprint reels should be examined by the railways and suitable corrective measure taken.

14.68 There is a difference of opinion between the publishers and the Registrar of Newspapers regarding the wastage margin that should be allowed to the newspapers while allocating newsprint quota. The problem has become accentuated because of the high recovery price of waste newsprint as well as of unsold copies of newspapers. Any provision for a degree of waste which is larger than the actual waste is bound to be a source of profit to some persons, and it is essential to be strict in regard to the permissible allowance in all such cases.

14.69 The Committee feels the need for an amendment of the Registration of Newspapers (Control) Rules and also of the PRB Act, if necessary, to provide for collection of items of information such as revenue and expenditure under different detailed heads, capital structure, working capital, employment and wages, advertisement space ratio (more precisely than is available now), purchases of newsprint, printing, and composing machinery and spare parts, flongs and other specialised requirements of newspaper presses, interest and bonus payments, excise and other duties paid etc. It should also be made incumbent on newspapers to submit to RNI their audited balance sheets and profit and loss accounts in the same way these are submitted to the Registrar of Companies or Registrar of Societies or Income Tax authorities. Where there is any element of common ownership separate accounts should be submitted showing the basis of apportionment of the common costs.

14.70 Besides the statutory functions of the Registrar of Newspapers, a number of executive functions and responsibilities connected with the import policy, procurement, distribution and allocation of newsprint as well as printing and composing machinery and allied items, have been entrusted to the Registrar.

14.71 The Committee feels that these important functions cannot be discharged efficiently unless there is a sufficient number of technically qualified staff for each of the assigned functions and unless there is full and up-to-date information continuously available on circulation and such other elements on which newsprint allocation should be based.

14.72 The ABC's method of certifying circulation is dependent very largely on what the papers themselves provide. It is stated that there are surprise checks, but it is not clear to what extent the surprise element is maintained. Besides, once such a surprise check has been made, a newspaper can be practically certain that there will not be another surprise check in the next two or three years. So long as these circulation figures were important only for determining advertisement rates the ABC methods did not matter to any one other

than advertisers, but now accurate circulation figures are necessary for deciding on the allocations of a very scarce and costly resource requiring foreign exchange. An independent check is, therefore, absolutely necessary. 14.73 Since newsprint has become much more scarce and costly than ever before, the need for regular and effective circulation check of dailies as well as periodicals is beyond doubt. The Committee, therefore, suggests that (i) the

Registrar of Newspapers should set up a panel of approved chartered accountants who alone should be authorised to issue circulation certificate to a newspaper; (ii) the number of checking teams of the RNI should be increased and manned by trained and experienced persons; and (iii) that these teams should be utilised fully for checking all data that may be sought by the RNI from the newspapers.

## BONUS REVIEW COMMITTEE, 1972.

Report (Interim), Delhi, Manager of Publications, 1973. 46p.

Chairman: Dr. B.K. Madan.

Members: Shri N.S. Bhat; Shri Harish Mahindra; Shri R.P. Billimoria; Shri G. Ramanujam; Shri Satish Loomba; Shri Mahesh Desai; Dr. S.D. Puneekar.

Secretary: Shri K.R. Wazkar.

### APPOINTMENT

The Government of India, Ministry of Labour, Employment and Rehabilitation under the Resolution No.U-23018/1/72-WB, dated the 28th April, 1972, constituted the Bonus Review Committee.

### TERMS OF REFERENCE

"To review the operation of the Payment of Bonus Act, 1965, and to suggest suitable modifications to the scheme outlined therein and, in particular, to make recommendations on the following issues:-

- (i) Whether establishments (other than factories) employing less than 20 workers, may be covered by the Act and, if so, upto what limit of employment? Should there be a separate formula for payment of bonus in these small establishments?
- (ii) Is there a case for raising the minimum bonus and if so to what level?
- (iii) Whether the present upper limit on payment of bonus and the system of 'set-on' and 'set-off' requires any alteration and, if so, on what lines?
- (iv) Whether the entire bonus payment should be related in some way to production/productivity in the undertaking?
- (v) Whether the present minimum bonus of 4% may continue but a provision be made for it being supplemented through suitable schemes of production/productivity?
- (vi) To consider and make recommendations on any connected auxiliary matters.

The Committee shall also make a careful assessment of the likely impact of its recommendations on the national economy before finalising them."

### CONTENTS

Introduction; The demand for increase in Minimum Bonus and views of employees; Views of Employers; Views of the Committee; Note by Shri N.S. Bhat and Shri Harish

Mahindra.

### RECOMMENDATIONS

We have carefully considered all the memoranda submitted by the parties and the oral evidence tendered by them not only on the question of minimum bonus but also on the possible linkage of any part or whole of the minimum bonus with production/productivity. We have also considered the scope of coverage of our recommendations, as also the accounting year from which these should take effect and how best they could be implemented. We have naturally considered the repercussions of our recommendations on the economy as a whole.

A recent study by Dr. S.L. Shetty in the Division of Monetary Economics of the Reserve Bank's Economic Department is quite revealing. Based on an analysis of finances of 1,501 large and medium companies published annually by the Reserve Bank, Dr. Shetty has found that while manufacturing costs of companies had remained at 55% of the value of output, their wage cost had declined from 14% in 1965-66 to 13.2% in 1970-71. This shows that labour is not even having the same share in 1970-71 as it had five years before, i.e. in 1965-66.

It is obvious that all the wage increases granted since then have been more than offset by increase in productivity. Also it is an undisputable fact that real wages too have been continuously eroded. Dr. Shetty further adds that profitability of the 1,501 companies registered a notable recovery over these six years; the liquidity position of the Corporate Sector was comfortable due to the rise in retained profits in the context of the continued sluggishness in investment activity; the position in respect of the companies' net worth and depreciation provision has also improved; and not only were the owned funds in excess of the gross assets created, but the excess generated steadily increased.

We take it that the Reserve Bank's selection of 1,501 companies is representative, and that being so, this latest study in the series reveals that the raising of the minimum bonus from 4% to 8.33% will not be a burden beyond their means.

It may be recalled that the fall in labour's share of value added by manufacture, however, is not a new feature originating from 1965-66. The National Commission on Labour had also observed that this has been a persisting

trend right from 1947. We have referred to the statistics from 1965-66 to point out the fact that in spite of the Payment of Bonus Act and the minimum bonus provision therein, this trend has not been arrested and the fall in labour's share of the value added is still persisting.

Thus the shortfall in labour's share in 1970-71 as compared to 1965-66 is 14 % minus 13.2 % - 0.8 %. This 0.8% is 1/17th of the labour's share of 14% as it stood in 1965-66. This approximately represents a fall of 6% in the labour's share in 1970-71 as compared to 1965-66. Thus the percentage of wage cost has gone down by 6% of the total wages, which included cost of labour welfare, bonus under the Act, provident fund, E.S.I. contributions etc. The raising of minimum bonus to 8.33% will only involve an increase of 4.33% of the total wages i.e., basic wage and dearness allowance without the cost of labour welfare, provident fund, E.S.I. contributions, etc. Therefore, even with the 8.33% as minimum bonus, the wage cost would be less than the 1965-66 level.

But we are not guided only by these statistical figures. We have to keep in mind the circumstances that led to the appointment of this Committee, the widening gap between actual wage and the living wage, the commitments made and hopes created, the general atmosphere in the country, the numerous voluntary agreements entered into for payment of bonus in one form or another at 8.33% and higher, where only 4% was due and the need for maintenance of industrial peace.

Specifically on the issue of commitments, apart from those recorded earlier in the summary of workers' evidence, statements have been made from time to time by various labour ministers in different States, urging the Central Government to legislate for raising the minimum bonus to 8.33% or in the alternative allow the State Governments to legislate for themselves. For instance, Shri. N.M. Tidke, Labour Minister of Maharashtra, is reported to have observed that:

"The State Government had favoured payment of bonus by commercial or industrial organisations, irrespective of the number of employees. The Government had urged the Union Government to amend the Central bonus law suitably. If the Centre could not do so, it had sought its permission to allow the State Government to enact such a law."

He said "the expressions 'Bonus' and 'ex-gratia' payment had now become almost synonymous ...."

It has also been brought to our notice that as recently as August 1972, the Chief Minister of Madhya Pradesh has given an award in respect of bonus to cotton textile workers to the extent of 8.33% made up as follows:

4% according to the Payment of Bonus Act, plus 2% as advance making a total of 6% to be paid before Raksha Bandhan that is before 24th August, 1972 and 2.33% additional bonus to be paid as advance before the end of October 1972. It is also mentioned inter alia that the final decision on the payment of bonus will be taken according to the Bonus Review Committee's recommendations.

Ample evidence has also been brought forward to show that both in the private sector and in the public sector, in a number of cases, 8.33% or more has been paid where only 4% bonus was the entitlement. Further, some of our colleagues have pleaded that they would like to hargain with

their respective union and pay even 8.33% bonus or more, where only the minimum is due but the statutory limits should not be raised to that level. It is difficult to accept the validity of this argument because in the payment of quantum which has been statutorily laid down, one cannot have a statutory minimum and bargainable minimum as they will frustrate the very purpose for which legislation on bonus was originally contemplated. Such action would only open the flood gate for a gitation in respect of the minimum bonus.

### Quantum of Minimum Bonus

Looking to all these circumstances, we are convinced that we should recommend an increase in the minimum bonus from the present 4% to 8%. The absolute figures mentioned in Section 10 of the Act should also be consequently raised to Rs. 80 and Rs. 50 respectively for those above and below the age of 15 so that the workers get whichever is higher of the two, viz., the 8.33% of the total annual wages/salary or the absolute figures mentioned here. We, therefore, recommend that section 10 of the Payment of Bonus Act be amended accordingly.

Some of our colleagues in the Committee wanted the increased minimum bonus of 8.33% to be made applicable only to profit making units. They wanted to recommend a 'lower minimum' for the loss-making units. We do not agree with this proposition. If we agree to such a proposition, 8.33% will obviously cease to be the minimum, and the very concept of minimum bonus will undergo a retrograde change.

We wish to make it clear that we are not changing, by our interim recommendation, the concept of minimum bonus. The concept of minimum bonus is already incorporated in the present Payment of Bonus Act and the prescribed minimum will have to be paid regardless of profit or loss in any year. That concept, we recommend, shall continue.

If an establishment makes a loss in one year that should not be taken as a basis for justification for a lower minimum. In fact, the Payment of Bonus Scheme does not take a year as a unit. That is why it provides for 'set-off' and 'set-on' against subsequent years' profits or losses. This provision must be able to take care of loss making units. The question may be raised "what about a unit which goes on making losses for all the four years continuously and is thus denied the opportunity to 'set-off' the payment of minimum bonus against subsequent years' profits?" Our answer to this is simple. If there is an establishment which goes on making losses continuously for four years, evidently there is something basically wrong with such an establishment and the remedy lies in other directions. Any tinkering with the minimum bonus is not going to provide the solution. The working of such units requires a thorough study and radical remedies will have to be evolved and implemented. Therefore, we can not agree to the patent contradictions of recommending two minimum - a 'lower minimum' and a 'higher minimum'. Further we are of the opinion that the present provision under section 36 of the Payment of Bonus Act, 1965 is sufficient to take care of the interest of all units which might require special consideration.

Shri R.P. Billimoria desired to add that when the minimum is raised from 4% to 8.33% as recommended earlier, a bipartite standing machinery should be set up under this sec-

tion to lay down appropriate norms and to process expeditiously cases of real financial distress. In the alternative, a tripartite body could lay down norms for this purpose.

Having dealt with the quantum of minimum bonus, we feel there are still four other matters incidental to the issue of minimum bonus which have to be decided by us in this interim report. They are:

1. The accounting year from which the revised rate of minimum bonus should be made payable;
2. Linking of any part of the minimum bonus to production/productivity;
3. Coverage of employees; and
4. Manner of implementation of our recommendations.

#### Accounting year from which applicable

We recommended that the revised minimum bonus of 8.33% shall be paid to all employees from the accounting year commencing on any day in 1970. We are informed that in the Textile Industry in Coimbatore, and following that in other centres also in South India, agreements have been reached whereby 8.33% of total wages has been paid partly as bonus and partly as advance, soon after the announcement by the then Union Labour Minister, Shri D. Sanjeeviah in Bombay in 1970. These agreements are subject to the follow up action by the State on that pronouncement. Therefore, centres like Coimbatore which had entered into agreements even in respect of accounting years prior to 1970 should be eligible for the difference in the payment of minimum bonus at 8.33% in the light of our recommendation, whether or not the advances paid to bring up the minimum to 8.33% have been recovered.

#### Linking Bonus with Production/Productivity

All organisations of employers and workers have pointed out to us the impracticability of linking any part of bonus to productivity or production. In the circumstances we agree with the views of both the parties and we recommend that no part of this bonus shall be linked to production/productivity.

**Coverage** On the issue of coverage all workers' organisations are unanimous that the Act should be extended to cover all wage and salary earners in all areas of employment.

At present some areas of employment are excluded from the purview of the Act itself, while some others have been excluded by the provisions of the Act or by Court pronouncements.

Although the Payment of Bonus Act, 1965 excludes workers in certain public sector establishments they have been receiving bonus as ex-gratia payments as if the Act applied to them. Therefore there is no valid reason why workers in such establishments should not be included in the Act itself. Hence we recommend for their inclusion.

In regard to the employees employed in non-factory establishments employing less than 20 persons we feel there is no justification in perpetuating their exclusion as these employees were already in receipt of bonus under the previous dispensation. The Act was never intended to deprive any section of the employees of their existing benefits. We are therefore of the opinion that workmen employed in non-factory establishments employing less than 20 persons could not be debarred from claiming bonus including the 'minimum bonus' under the law. A question may be raised that if all

these establishments employing less than 20 persons should be covered by the Act, should we not fix any minimum limit of employment? Our answer to this question is that just as Payment of Bonus Act covers all factories we recommend that the Act should cover all shops and commercial establishments as defined by the Shops and Establishments Acts in the country.

The members representing the workers on the Committee are of the view that the other sectors of employment also should be brought within the scope of the Act.

Shri R.P. Billimoria is of the view that the question of extending the coverage of the Act in the interim report to certain categories of workers does not arise because the Committee has had no opportunity to hear either the representatives of employers employing less than 20 persons or those undertakings run departmentally by the Government. Further, the Union Labour Minister is reported to have made a statement in Parliament that this issue is being taken care of by the Third Pay Commission, which is now in session. Evidently, the two bodies, viz., the Bonus Review Committee and the Third Pay Commission cannot be seized of the same issue concurrently. Even otherwise, on an important issue of this nature which has far reaching repercussions on the national economy, a study in depth is required. It is certainly not claimed that such a study has been made by this Committee as yet. However, he is in agreement with our recommendations that the public sector undertakings excluded under section 20 Clause I and which have been making ex-gratia payments at rates determined according to the provisions of the Act even though the Act did not apply to them may be brought within the purview of this Act.

#### Manner of Implementation of our Recommendations

We have already pointed out that we want our interim recommendations to be brought into force immediately. Apart from the retrospective effect of our recommendations, we are anxious that our recommendations should be implemented immediately so that we may avoid wide-spread industrial unrest and stoppage of production on the issue of 'Minimum Bonus' in respect of 1971-72 bonus disputes also. We, therefore, recommend that Government should take immediate and effective steps to make our recommendations enforceable without loss of time.

#### Mode of payment

A suggestion was made that the minimum bonus in excess of 4% may be paid in the form of bonus or savings certificates. Our experience in this regard has not been happy and we, therefore, propose that the 8.33% minimum bonus shall be paid in cash except where the workers agree that it may be paid otherwise.

Shri R.P. Billimoria is however of the view that atleast the increased quantum of minimum bonus should be paid in National Saving Certificates.

Lastly we would like to make it clear that although we call this our 'interim recommendation', this is our final recommendation in so far as the quantum of 'Minimum Bonus' is concerned. Our present recommendation in this regard is called 'interim' because we are dealing with only two of the terms of reference to us in this report. Our report will become final only after we have done with the remaining terms of reference as well.

# COMMITTEE ON REGIONAL ACCOUNTS, 1972.

Report, New Delhi, Central Statistical Organisation, Department of Statistics,  
Ministry of Planning, 1974, 86p + iii.

Chairman: Prof M.Mukherjee.  
Members: Shri V.V. Divatia; Shri M.A. Telang; Shri K.  
Sharma (Resigned); Dr. I.S. Bhat.  
Secretary: Smt Uma Roy Choudhury.

## APPOINTMENT

The Second Joint Meeting of the Advisory Committees on Collection of Data on National Income and on Compilation and Analysis of National Accounts held at New Delhi on 7-8 January 1971 as also the Working Group on State Income in its fifteenth meeting held on 28-29 January 1971 recommended that a high-level committee should be set up to suggest what system of accounts should be prepared at the State level.

In pursuance of the above recommendations a Committee on Regional Accounts was appointed under Government of India Resolution No.M.13013/1/72-NSS.I, dated the 2nd May 1972.

## TERMS OF REFERENCE

- (a) to consider and advise on the levels (State, district or other regions) at which accounts should be prepared;
- (b) to devise a system of regional accounts and standard supporting and supplementary tables for adoption by all the States;
- (c) to suggest measures for building up regional accounts in the country taking into consideration the availability of data and requirements of Central and State Governments; and
- (d) to examine the concepts, definitions and classifications for preparation of regional accounts and to lay down guide-lines.

## CONTENTS

Introduction; Review, Uses and Problems; Standard Tables for State Domestic Product and Expenditure; Appendices I and II.

## RECOMMENDATIONS

### Review, Uses and Problems

#### Review

The work on State income started in Bihar, Uttar Pradesh and West Bengal somewhere around 1948-49. The first estimate of State income was published in January 1950

for the erstwhile Bombay State for the year 1948-49 and subsequently in 1951 and 1952 for the years 1949-50 and 1950-51. The next to follow were Uttar Pradesh and Bihar. The estimates of Uttar Pradesh were first published in 1955 giving a rural-urban breakdown and presenting figures at current and constant prices. Estimates for Bihar for the year 1946-47 were also published in 1955. After the publication of the First and the Final Reports of the National Income Committee in 1951 and 1954 respectively, a number of other States like Madhya Pradesh and Assam prepared their first estimates broadly following the methodology adopted by the National Income Committee; West Bengal also adopted this pattern. The concept of State income followed for these estimates was generally that of total income originating in different sectors of the State economy or, in other words, the net geographical output at factor cost. This concept has been referred to as the State domestic product (SDP) in this Report. Broadly, the value added method for most of the commodity producing sectors and income method for the remaining sectors were followed.

At this stage, the Fifth Joint Conference of Central and State Statisticians held at Jaipur in 1956 recommended that all States should make every effort to prepare estimates of State income broadly following the method recommended by the National Income Committee for preparation of such estimates at the all-India level. It was also suggested that in the first instance, the States might prepare estimates of commodity producing sectors only and publish them in their Bulletins together with detailed technical notes on concepts, definitions and method of estimation. Subsequently, at the Preliminary Conference on Research in National Income in 1957, regional income estimation was discussed as one of the topics. This conference recommended that a Working Group consisting of active workers engaged in State income estimation in the Central Statistical Organisation (CSO), a few of the States and other agencies might be set up to review the work done on the subject in different States and to formulate standard concepts, definitions and methods of estimation. While laying down the procedures, account should be taken of the nature of available statistics in individual States. The Working Group was also expected to undertake technical examination of the estimates of State income prepared by the State Statistical Bureaus (SSBs) from time to time and make recommendations on the important gaps in statistics which could be filled up for improvement of such estimates. Such a Working Group set up by the CSO has since been functioning.

With the progress of time, the work of estimation of State income has improved and expanded in different States. Today practically all the States of India compute such es-



timates. The estimates are being compiled both at current and constant prices though neither the period covered nor the base year for the constant price series is uniform among States. Also, the methodology adopted by the States is not always uniform, being primarily dependent on the type of data available in individual States.

The Working Group has examined the estimates prepared by most of the States and has made detailed suggestions for improving the estimates and achieving inter-State comparability. The Working Group has made recommendations regarding farm management studies for improvement of the data on input structure of the agriculture sector and collection of basic data in sectors like unregistered manufacturing construction, trade, transport by means other than railways and other services. The Working Group has also devoted considerable attention to other problems like the use of appropriate price for evaluation of agricultural output. In the last few meetings, the working group has been concentrating on the problem of laying down standard methodologies for estimation of income originating in different sectors and such methodologies have been recommended for nearly all the sectors of the economy. To the extent data are available, the SSBs generally adopt the standard methodology recommended by the Working Group. This is particularly true for the estimates in the six commodity producing sectors, viz., agriculture, animal husbandry, forestry, fishery, mining and quarrying and manufacturing (registered). For the remaining sectors the data position is far from satisfactory and the estimates of only a few of the States are prepared following the standard methodology.

However, it is generally felt that the standard methodologies have often been formulated too rigidly. This has resulted in a superficial uniformity among the State estimates and sometimes States having better data are required to follow unsatisfactory procedures in the name of standardisation. The Committee feels that it is necessary to ensure that only concepts and definitions are standardised and the best possible methods suited to different types of data are indicated so that States could make an optimal use of their available data. The standard methodologies are being reformulated by the Working Group keeping in view the present availability of data and recognising the fact that the methodology cannot be evolved independent of the data base.

No review of the development of State income studies in India would be complete without a reference to the work of the individual research workers who contributed substantially to the subject. Attempts have been made by research workers to compile the estimates either by the method of allocation or by direct estimation on the basis of the data collected at the local level or by a combination of the two different approaches depending upon the availability of data.

B. Natarajan presented estimates of income for British Provinces in undivided India for the years 1938-39 and 1949-50. Before estimating the incomes of the provinces, the national estimates had been obtained by taking forward the figures for the years 1931-32 prepared by V.K.R.V. Rao. The interesting part of the method was that the incomes for each one of the sectors were allocated among the States using a combined index of several items of information. Thus, for example, the agricultural index was based on cultivated area, population occupied in exploitation of land, total yield of

principal crops and livestock population. For the services sector, the index was prepared on the basis of employment under each category weighted by the average income under each source. Subsequently, a detailed attempt was made by S.G. Tiwari in 1951 to prepare the estimates both at current and constant prices for one single State of India, viz. the United Provinces for the years 1921-22, 1931-32 and 1938-39. In the compilation of these estimates extensive data on output, input, income per worker etc., at the State and local levels were collected and analysed. V.V. Divatia also attempted a comprehensive estimate of the domestic product for Bombay State for the period 1938-39 to 1948-49 making extensive use of data in respect of most of the sectors. S.R. Bose, about the same time, prepared the estimates for the State of Bihar for 1946-47 using the limited data available at the State level. Mahinder Choudhury obtained the estimates of State domestic product for the year 1955-56 using the allocation method. M.A. Telang jointly with B.W. Chavan worked on the State income of Maharashtra for the period 1955-56 to 1958-59. Allocation method had subsequently been used by K.N. Raj, Ravi Verma and others.

About the same time the work on compilation of State income also drew the attention of independent organisations like the Indian Institute of Public Opinion (IIPO) and the National Council of Applied Economic Research (NCAER). The IIPO compiled estimates for the years 1950-51, 1955-56, 1960-61 and 1965-66 both at the sectoral level as well as at the State level to assess the effect of the First, Second and Third Five Year Plans on the distribution of income between States. The method followed was a combination of the allocation approach and the direct measurement at the local level depending on the type of data available for individual sectors. The NCAER undertook comprehensive studies on State domestic product in connection with their techno-economic surveys not only at the State level but even at the district level. The NCAER undertook detailed sectoral estimates for agriculture, manufacturing industry and services and covered different points of time between 1950-51 and 1960-61. The NCAER also attempted a study of the differential patterns of growth between States at 1960-61 prices. One of the special features of the estimates prepared by the NCAER was that a great deal of attention was given to the problems of methodological comparability of the estimates among the States so that the regional development studies based on these estimates would give meaningful results. The Indian Association for Research in National Income and Wealth (IARNIW) also contributed substantially to the development of regional income work at the research level. A special seminar on the subject was organised as far back as in 1962 at the Gokhale Institute of Politics and Economics at Poona where the problems of State income estimation were discussed in detail. Subsequently, regional income estimation, inter-regional comparison of macro-economic aggregates as well as special problems of State accounts have formed the subjects of discussion at different conferences of IARNIW. At each of these sessions, a large number of papers either highlighting conceptual and estimational problems or presenting the estimates for individual macro-economic aggregates have been discussed. Such papers cover a wide range of subjects like sectoral estimates of value added, capital formation, distribution of personal consumption expenditure at the regional level, the determination of the reliability

domestic product at the per capita level. Such estimates when available for a given point of time for all regions of the country, could give a cross-section measure of inter-regional disparity. When available over a period of time intertemporal comparisons will be possible and casual factors involved would be suggested. Thus, by relating the regional inequality pattern to the variations in growth rates among regions, it might be possible to understand better the factors responsible for persistence or otherwise of spatial inequality. It would also be necessary to consider the changes in the industrial structure, employment pattern, labour participation rates and capital structure in the overall analytical scheme. Statistical materials exist for some of the studies indicated and have been partially attempted by several agencies. With systematisation and augmentation of data, such studies would find a stronger underpinning.

The Planning Commission has used per capita income at the regional level as one of the criteria for determining the extent of central assistance to each individual State. Thus, nearly 20 per cent of the total assistance to the States is based on the comparable estimates of SDP. The proportionate allocation of this assistance is determined as follows:

(i) 10 per cent of the total assistance is allocated to the States having average per capita income (over last three years) below the all-India average. The procedure of allocation is the deviation method according to which each State is allocated an amount  $A_i$  which is determined as

$$A_i = \frac{T}{P} \left( 1 + \frac{x - \bar{x}}{\bar{x}} \right) P_i = \frac{T}{P} \left( 2 - \bar{x} \right) P_i$$

Where,

$T$  = total amount to be distributed

$P$  = total population

$x$  = average per capita income of all States

$\bar{x}$  = per capita income of State  $i$

$P_i$  = population of the State  $i$

(ii) Another 10 per cent is allocated on the basis of per capita income (over three years). For purposes of measurement of tax efforts only the State taxes are taken into account. The ratio of the State tax receipts to State income determines the direct proportion on the basis of which the allocation is made.

The fifth and subsequently the sixth Finance Commissions have also considered per capita income in a State as an important yardstick for obtaining an idea of the levels of development and have used this measure as the criterion for assessing the relative economic position of the States. These estimates have also been used by the Commission as one of the indicators for determining the share of individual States in central taxes. Thus the sixth Finance Commission has recommended that:

(i) 25 per cent of the divisible share of the Union excise duties is to be divided among the States in relation to the 'distance' of a State's per capita income multiplied by the population of the State concerned according to 1971 census. The balance, i.e., 75 per cent is to be distributed on the basis of population alone;

(ii) additional excise duties are to be allocated among States, using the combined indicators of population, SDP and the production of relevant commodities (textile, sugar and tobacco). The weights given to these indicators for determining the overall position are 70, 20 and 10 per cent respectively;

tively;

(iii) discriminatory debt relief to the States is to be determined on the basis of the ratio of amounts falling due for payment (to the centre) during the Fifth plan period and the SDP. The States have then been classified into three groups A, B and C according to the ratio being less than 10 per cent and 20 per cent, between 10 and 20 per cent and separate provisions are to be made for the States falling in each of these groups.

However, use of State domestic product as one of the indicators for such policy purposes has often been questioned. It is possible that the estimate of SDP could be partially affected by extra-economic consideration and use of such an aggregate as an indicator, whatever might be the formula used for the purpose, would have different effect for different States depending on its level of development. It is also true that the cut-off point of the national per capita income for determining the relative position of a State is arbitrary. As such, it might be desirable to classify the States in given slabs for determining the stage of development of a State or of a region and use this criterion for allocation of items of central aids in such a manner that even the States in the highest slab have a share in the distribution though at a much lower rate. The Finance Commission used a very similar method for discriminatory debt relief.

The study of regional disparity cannot, however, end here and has to be examined in the context of economic inter-dependence between regions and factor mobility. Internal factor flows have to be studied separately for labour and capital. Labour migration can obviously be selective accentuating the divergence between regional incomes unless special steps are taken to ensure proper distribution of sectoral development keeping the regional potentials in view. Similarly, for a country like India, inter-regional flow of private capital may accelerate regional disparity unless investment in underdeveloped regions is made attractive and the effect of inter-regional capital flow is watched with care. Inter-regional development is also directly connected with inter-State linkages in the sense of the spread effects of technological and social change, income multipliers and social change. The study of sub-national disparity is directly linked with all these aspects and can hardly be undertaken in the absence of data on the other related variables besides total and per capita income at the regional level. The other variables to be considered for the purpose can be the proportion of agricultural/industrial sector in different regions, levels of sectoral output/income in different regions or agricultural/industrial productivity differentials.

Again, for balanced regional development, it is not only necessary to get a clear idea of the levels of development but the link effect of localised investment within the States in generating income and employment. In other words, it is necessary to study not only the inter-regional multiplier effect and inter-regional capital flow effect but also the inter-regional employment effect and capital flow effect along with the productive structure. This would, in essence, also include the study of the development of activities at the regional level as a result of the public sector outlay from the central funds. Also included will be activities such as public transport which have far reaching effects in the form of generating linked activities at all levels.

At the next stage, it would become necessary to have, if

feasible, disaggregated limited input-output tables at the regional level. This would enable a study of the detailed input structure of industries at the State level and would be the first step towards multi-level planning which requires classification of all industries according to national, regional and local levels for identification of location of industries. This could then be used for studying localization effect, clustering effect as well as spread effect among regions. Again, for multi-level planning it would be of utmost importance to have the measure of the indirect effect of development on the population of organised services like transport in big cities. This would obviously require compilation of different macro-economic aggregates and their break-up at levels lower than the States. For full use of the regional income statistics for planning purposes, the analysis has to extend beyond the measure of differentials among States and among big cities and should also cover those among big cities and rural and urban areas. Demarcation of the areas within the regions on the basis of proportions of monetised and non-monetised parts of the domestic product and study of the differentials either between the two sections for individual regions or for each of the two characteristics, viz., monetised and non-monetised parts of the domestic product over different regions, may make the study of regional disparity more meaningful.

Income redistribution between regions either through public investment or through differential distribution of central assistance is one of the accepted policies of the Government. The total impact of public investment would tend to include secondary effects which also would result in redistribution of income among the regions of the country. To measure such impact it would become necessary to obtain detailed information on patterns of public investment made both by the central government as well as by the regional authorities. The industry of use, location and period of gestation would also be essential part of the information necessary to study the total impact of such investment. The sectoral break-up of SDP would give a broad indication of the extent to which the resources within the regions have been exploited and indicate the strategy to be adopted regarding the policy of public investment. Consequently the resources to be allocated to each region and to various sectors within each region would also be thus known. These details would help in obtaining a broad rationale for utilisation of resources among regions.

Some studies have indicated that per capita SDP by itself may be sufficient as an indicator for assessing the differentials in the stage of development of States (regions) in as much as States (regions) with high per capita SDP but associated with low population density may not necessarily be economically advanced and States (regions) with low per capita SDP but associated with high population density may not necessarily be backward States (regions). The studies do, however, point out the fact that States (regions) with high per capita SDP and high population density, and those with low per capita SDP and low population density could be identified as really advanced and backward, respectively. The possible reason for this type of per capita SDP population density relationship in a less developed economy such as ours, with preponderant dependence on agriculture for livelihood, is that areas of high per acre agricultural productivity also experience population pressures without anything

being added at the margin. This tendency makes for low per capita income-high population density regions. Similarly, high per capita income-low population density regions belong to the category of somewhat backward regions from where population - particularly the working age group - tends to migrate to other regions. This aspect of inter-regional comparison for economies abounding in high rates of underemployment and unemployment deserves to be noted before any conclusions are drawn on the sole basis of differentials in per capita SDP of States (regions).

### Major Problems

As has been seen, substantial use is being made of the estimates of State income and related sectoral and other aggregates, ratios, etc., for policy purposes both by the authorities at the Centre as well as at the State level. However, their use would be much more widespread and intensive if the time-lag in the availability of the estimates can be reduced and the presentation can be made more policy oriented. Generally, the estimates become available with a time-lag of two to four years. Even the provisional figures are available with a substantial time lag. At present the estimates from most of the States are available till 1970-71 and in some cases only upto 1969-70. In the case of only a few States the estimates are available for 1971-72 or 1972-73. The main reason is not far to seek. Even for the sectors for which annual data are available, there exists no satisfactory arrangements for timely flow of the data necessary for the computation of State income. This is particularly true in respect of agriculture, forestry and registered manufacturing sectors.

Estimates of State income for the current year do not become available at the end of the financial year when the budget provisions for the following year are made. If methods can be developed for preparing a quick estimate of SDP of the current year, the review of the past performance of the economy as well as the financial proposals for the coming year would become more reliable. In the context of planning, short-term projection of domestic product at the regional level would be extremely relevant even if the exercise is limited to a few important sectors only. Such exercises could even include quarterly or half yearly estimates. Similarly, at present, the State budgetary estimates are made on the basis of the past trends by items of taxes, etc. If the estimates of State domestic product can be presented with more detailed break-down so that the individual items of taxes can be related to the corresponding values of commodity output, these would become more useful for policy purposes.

Besides the time-lag in the availability of the State income data, the background material accompanying the estimates quite often does not offer the necessary details regarding the method of collection of the basic data and the construction of the series. As such, it is not possible to assess either the reliability of the estimates or their comparability with the estimates of other States or of the country as a whole. Thus, the estimates of agricultural byproducts or yield rates of livestock products are not based on sample surveys in many cases. It would be extremely useful to indicate such limitations while issuing the estimates so that their reliability can be judged before using them for policy purposes. Similarly, the State income data give an overall picture of the

economy as well as sector-wise data on value added but makes no distinction between the public and the private sectors. Since in the planning process a substantial amount of investment is made by the public sector either through the State Governments or by the Central authorities directly, it is desirable that the estimates are given with break-down between the public and the private sectors. This would enable one to assess the effects of investments made by the public sector and also help in a better planning of the future investment policies. At the State level, the estimates of factor share for identifiable groups of industries as well as the urban-rural break-up of sectoral products would be extremely useful for understanding the problems of development and the implications of the policies adopted so far.

At present, the estimates suffer not only because of the lack of data but also because of indifferent quality of some of the data collected through the routine administrative system. Also, the absence of appropriate current data often leads to crude methods of estimation consisting of moving the benchmark estimates with the help of a set of indicators. This further affects the accuracy of the estimates. To make the estimates of State income more useful for policy purposes it is, therefore, of primary importance that the estimates of net value added for all the sectors are based on current data. Schemes for such improvements need to be taken up by all the States on uniform basis. Thus, the collection at regular intervals of data on prices and production of animal husbandry, unregistered manufacturing and other similar products and employment and earnings for services sectors become essential. This might make it necessary for the SSBs to have sufficient field agencies to carry out surveys and type studies at regular intervals. To ensure uniformity all over the country such surveys have to be coordinated by the centre and launched simultaneously.

The degree of reliability of the present estimates of State income varies considerably from sector to sector or among sub-sectors or for certain constituents of a sector. Thus, the gross value of output in agriculture (proper) is more reliable than that of net output; estimates of income originating from activities of State Government are more reliable than the estimates of income from the Central Government activities within the State boundaries. Some objective assessment of the reliability of the estimates of various sectors and sub-sectors could be included in the notes accompanying the estimates. This will help the users in picking and choosing the figures for their purposes.

The choice of value added method for estimation in India has been, in large measure, governed by the availability of data as well as their usefulness for the study of problems of growth and development at the regional and sub-regional levels. Measurement of income in a given region within a country, however, raises certain conceptual problems which are not common to the measure at the national level. Thus, it is to be determined whether the income of a region should include all the income originating as a result of the utilisation of the physical assets and the labour force of the region even though some of the income might flow to residents outside the region or it should include all the income received by the residents of a region even though some of it might have accrued outside the region. The two measures might make substantial difference in the estimates. For example, there may be absentee landowners in rural areas who primarily live in

the nearby urban areas and hence transfer the income earned from the property in rural areas for use in urban areas. Similarly, an employee or the owner of an un-incorporated enterprise may spend his working day in one State while his residence is in another. Consequently, in the smaller administrative units like districts and cities, the issue of place of residence versus place of activity becomes much more relevant and concerns not only income from capital but also income from labour. Such measurements have to be well defined and the statistics to be collected for the purpose have to be a joint endeavour of the Central and regional authorities. Further, large incomes may originate within a State which is highly industrialised and be transferred to other areas so that it is not available for the well-being of the normal residents of the State. Thus, the possibility that a State with a lower originating per capita income may in fact be more affluent in respect of per capita income received than one with a higher originating per capita income as a result of repatriation of income cannot be ruled out. For a realistic measurement of income received, therefore, account needs to be taken of net inflow/outflow of income between states. But in an open economy like that of a State in this country, it is very doubtful whether such an estimate can be prepared unless special effort is made for the collection of relevant data.

The other two alternative methods of measurement, viz., aggregate expenditure and aggregate income of resident households, are also not easily visible in India because of the insuperable difficulties involved in measuring the inter-regional flows. A direct survey approach could however yield the aggregate of expenditures. Consequently, a method of measurement limited to personal disposable income and household consumption expenditure, public current and capital expenditures can be developed as a complement to the sub-national value added methodology.

In the USA, income of States is compiled by the Department of Commerce by aggregating 'income payments to individuals'. This is, in fact, personal income with no deduction of personal taxes. This series differs from US national income because it excludes corporate savings and contributions by both employees and employers to social security funds and includes 'public assistance and other direct relief, veterans' pensions, adjusted service benefits (the soldiers' bonus), retirement payments by Government, social insurance benefits, the Government's contributions to allowance paid to dependents of enlisted military personnel, and mustering out payments'. The limited attempts in this direction made in Canada by the Dominion Bureau of Statistics and in the U.K. under a project at the National Institute of Economic Social Research sponsored by the Department of Economic Affairs on the other hand, followed the value added method using either direct data of output at the regional level or allocation of factor incomes.

The income accruing to the households can obviously be measured by simply aggregating factor incomes and other transfer receipts. In such a case income data on receipts by way of wages and salaries, interest, dividend, rent, etc., transfer receipts (public and private), draft on past saving and liquidation of assets will have to be collected. The income approach by the aggregation of factor incomes has been attempted in the U.K. for the years 1961 and 1964 to estimate the total regional income. These estimates have been found

to be quite reliable when compared with those provided by the regional authorities and based on other methods.

In case data on consumption expenditure by the resident households within regions can be considered as a possible proxy of income accruing, the relevant data have to be collected. On the expenditure side, data on consumption expenditure as well as data on purchase of gold and capital asset, increase in cash and bank holdings and transfer payments of different kinds could also be gathered simultaneously.

Income accruing at the State level is perhaps the most satisfactory measure of economic welfare. This measure is somewhat wider than personal income in the sense that the incomes from public and private corporate sectors accruing to the region are included. This becomes more relevant for States where big public sector projects are located and the benefits from such projects often do not accrue to the people of the State. However, in view of the difficulty of measuring inter-State flows, it might be difficult to evolve a method for measurement of income accruing at the State level.

The present series of State income data do not give any idea about the income distribution pattern. For an understanding of the disparities either among regions or within regions, it is essential to have an idea of the distribution of personal income by size classes. While for the lower tail of the distribution the analysis based on household consumption expenditure may serve the purpose, for the upper tail expenditure distribution pattern is likely to be substantially different from the income distribution pattern and the latter will have to be studied independently. It might even be worthwhile studying the distribution for different sections of the population separately so that the population in the upper income classes and those at the lower income classes are automatically separated out.

Last but not the least in the list of requirements of macro-economic data at the regional level is the estimate of capital formation. Along with such estimates it would also be important to study the regional variation in savings rates. A direct measure of this rate may not be feasible with the present position of data availability. However, independent attempt at measuring household savings in a region, gross and net, might be fruitful. This component then, measured as a proportion of personal income or income accruing to households within a region may be a reasonable enough measure to assess the situation within and among the regions. Another important aspect on which data have to be collected and presented meaningfully is sectorwise employment along with the corresponding incomes so that the labour productivity and the employment potential between sectors can be studied for individual States.

Even the measurement of income originating which has been adopted in India has its own problems—both conceptual and operational. Conceptually one has to resolve the problem of measurement by States of income of enterprises whose activities extend beyond the boundaries of a given region and spread over the country as a whole. Value added in individual industrial sector at the State level in such cases can be estimated either independently by using the local data or by allocation of the national totals using relevant indicators. Even for allocation, determining the relevant indicator, for example, for allocation of overhead expenses of railway operations in the regions or for the surplus of public enterprises owned by the Central Government and located in

different regions is complicated. For estimation of domestic product at the regional level two approaches have, therefore, been adopted: (i) use of local data in respect of all the sectors where the product can be measured within the given area without any ambiguity such as in agriculture or mining or storage, hotels and restaurants and (ii) allocation of value added (estimated at the centre for the country as a whole) for all sectors where the activities are spread over a number of regions.

The important categories of institutional sectors whose operations extend beyond the boundaries of a given region and for which allocation method needs to be applied are railways, communications, Central Government administration, large corporations like banks and insurance and large productive enterprises (in the private and public sectors) with branches located in a number of regions. For such enterprises or activities, the internal accounts are not maintained in a form which would facilitate the estimation of income originating from the activities within given regions. For manufacturing enterprises which are registered under the Factories Act and for which the data are collected unit-wise, it is possible to prepare the estimates of income originating at the regional levels making full use of the data thus collected. However, since the activities extend over different regions, the problem of allocation of overhead expenses and operating surplus would still remain. For sectors like railways and communications, on the other hand, or for banks and insurance the problem is more complicated because of the absence of the relevant information at the unit/regional level. In such cases the estimate of the domestic product has to be obtained by allocating the national total to regions on the basis of relevant indicators. Factor share approach or the distribution of different factor payments among regions appears to be the most convenient method in this case. The Working Group on State Income paid considerable attention to this problem and evolved standard indicators for allocation of such items for different sectors. For formulating the indicators, the Working Group has been primarily guided by the type of data available and these are different for different sectors, for different sub-sectors within the sector as well as for different types of factor payments. Thus, for railway freight earnings and passenger earnings different indicators are used for allocation of the corresponding products between regions. At present, such State-wise estimates for the sectors, railways, communications, banking and insurance, Central Government administration and air transport are prepared by the CSO by allocation of the national totals using relevant indicators and are communicated to the SSBs for their use. The procedure could continue to be used, taking care that the indicators do represent the value of output, gross or net.

Just as more meaningful presentation of the available data on State domestic product and additions to the list of available information would enhance the use of such data for policy purposes, the improvement in the reliability of the available estimates would also add to their utility. The standard framework for presentation of State income and related aggregates would also result in articulated plans for data development.

As regards the reliability of the estimates, these can be broadly grouped into three main categories according to the data base:

(a) Sectors for which the estimates are prepared on the basis of data collected every year (e.g., production data of principal crops, mining, registered manufacturing, etc.).

(b) Sectors for which current data are not available and the estimates are prepared on the basis of 'benchmark estimates' and at times inadequate data for some past year/years (e.g. live-stock products, unregistered manufacturing sector, construction, trade, services, etc.).

(c) Sectors for which the estimates are derived from allocation of national totals (e.g. banking and insurance, air transport, railways, communication, Central Government administration).

Even for sectors falling under category (a) the estimates are often not based on satisfactory current data. Thus, the area statistics of crops in States like Kerala and Orissa are obtained through sample surveys. The size of the sample is often not sufficient to provide reliable area figures for minor crops which contribute substantially to agricultural production in a State like Kerala. The production estimates of crops like coconut and arecanut are based on sample surveys for a few States only and for pepper, ginger, mango, citrus fruits, vegetables etc. the estimates are based on either conventional yield rates or local enquiries. Up-to-date data on agricultural by-products such as rice husk, rice bran and straw are not available and the present estimates are based on outdated data or local enquiries.

The computation of income from animal husbandry also suffers from limitation of data. The estimates of the output of live-stock products are based on the yield rates which are not obtained from regular surveys. In the case of fisheries, data on catch of inland fish are inadequate and do not depend on any objective survey. Similarly, the lack of current data for sectors like forestry or registered manufacturing reduces the utility of the estimates of value added.

Lack of relevant annual data for sectors covered under (b) affect the reliability of the estimates and consequently their utility. Thus, for the noncommodity producing sectors, the basic data available for estimation are limited to given points of time at large intervals. The incomes for these sectors (trade, transport and unregistered manufacturing industries) are computed using estimates of working force and per capita earnings. The main source for working force statistics is the decennial censuses. Besides their being available after long intervals, the definitions used for working force in the 1951, 1961 and 1971 censuses are different affecting the comparability of working force estimates. As a result, the method adopted for obtaining the estimates for inter-censal periods varies substantially between States and leads to unsatisfactory estimates at the State level. Similarly, basic data on average earning per worker are not collected by States in any uniform manner and are also not available annually. Issues connected with item (c) have already been dealt with earlier.

The overall estimates of domestic product are thus affected by the quality of the basic data which often vary markedly between States and often are not dependable enough for bringing out the regional growth pattern accurately. Consequently, it is difficult to observe inter-regional economic disparities. With these limitations, they can at best serve as broad indicators of the direction of growth of the States' economy. The answer to this problem lies in the improvement of the quality of basic data, their

timely availability and the collection of data on important gaps at regular intervals following uniform concepts and definitions.

The development of the work on SDP in the individual States has also raised the problem of comparability of the estimates among States. Besides being used for a study of development of particular States, the most important application of the estimates of State income is in their use for studies of regional development and integrated plan programmes within the country. The use of State domestic product for inter-regional comparison implies that the estimates are comparable. But for such a large number of States with varying levels of statistical development, it is extremely difficult to ensure strict comparability in the estimates prepared by different agencies even when the details of concepts and methodology are laid down. This is mainly because of the differences in the quality of data available in different regions and large number of assumptions involved at different levels in the preparation of the estimates. In spite of their overall comparability in terms of concepts and definitions, the present estimates of State domestic product prepared by the individual SSBs suffer from this limitation. This problem had been raised often by the authorities like the Planning Commission as well as by independent bodies like the fifth and sixth Finance Commissions.

The Planning Commission first considered this problem as far back as in 1961 when it had suggested that the CSO should undertake compilation of comparable estimates of State income for the commodity producing sectors on the income originating basis and these would be used by the Planning Commission for policy purposes. It was also suggested that the preparation of these estimates could be undertaken by the CSO in consultation with the SSBs who should be requested to supply any basic data which might be required for the purpose. Subsequently, the subject was discussed by the Planning Commission in several meetings with the State Governments. At the instance of the Planning Commission, a set of comparable estimates for three years 1962-63 to 1964-65 initially for the commodity producing sectors and subsequently for all the sectors were prepared by the CSO in 1969. The estimates for the commodity producing sectors at the national level are even otherwise obtained as aggregates of the State level estimates prepared by CSO. The preparation of statewise estimates for the commodity producing sectors (except unregistered manufacturing industries), therefore, does not involve any special assumptions. For the rest of the sectors, however, except for the base year (1960-61), the estimates are prepared at the all-India level. The Statewise estimates for these sectors have, therefore, been prepared by the CSO basically following the allocation method after the estimates at the national level are prepared. The indicators for the purpose are different for different activities depending on the type of activity as well as the data availability. These estimates do, implicitly, take account of the Statewise differential to the extent the base year estimates are prepared at the State level. For a strictly correct measurement of differential movement among States the base year State level estimates need to be moved by the corresponding indicators and the national totals built up as aggregates of the same. For the present estimates, however, Statewise physical indicators are used for allocation of the national totals and this method measures the differen-

tial movements, to the extent the Statewise indicators in individual years used for allocation do reflect the differential movements for individual States. These comparable estimates had been made available to the Planning Commission before the formulation of the Fourth Five Year Plan. The Fifth Finance Commission also used these estimates as one of the indicators for allocation of resources between States. Similar estimates for the subsequent period of 1967-68 to 1969-70 have also been prepared by the CSO in 1973 for the use of the Sixth Finance Commission as well as the Planning Commission prior to its formulation of the draft Fifth Five Year Plan. It is no doubt true that these estimates prepared by a single agency at the Centre suffer from the limitation to the extent that some of the local material available for some of the States cannot be taken account of in the interest of comparability. However, generally, the indicators for the purpose of allocation are so formulated that all such information is integrated within the overall indicators to the extent possible.

The question of comparable estimates raises also another important issue. The comparability has to be achieved not only from the point of view of definitions and, to the extent possible, methodology adopted for preparing the estimates but also from the point of view of measurement of real quantum of production in different States. The problem of inter-State price differentials becomes particularly important in this context because not only do the prices differ among States but their movement over time is not uniform for all States. This creates distortion in the inter-regional comparison of per capita incomes and the measurement of any conceivable index of disparity at different time points. The estimates of per capita State income at constant prices do not answer the question either, because the inter-State variations in prices which are implicit in the base year estimates are not removed.

This problem, in a way, can be considered similar to the one of comparing purchasing power of currencies for inter-country comparison of per capita incomes. At the international level, one of the simplest answers to the problem has been attempted by valuing the quantities of production at one or more common sets of prices. Perhaps, the earliest attempt along these lines was made by Colin Clark in which per capita income of a large number of countries were computed using as price weight 'oriental units' representing the pur-

chasing power of a rupee in India and "international units" representing the purchasing power of US dollars. This method was subsequently improved upon by several authors and the work by Milton Gilbert and Irving Kravis stands out here as a significant contribution. This method compares the income of USA and other European countries at US and average European country prices. The UN Statistical Commission has recently initiated methodological studies through the International Comparison Project to evolve a method for making binary and multilateral comparison of the purchasing power of currencies between countries. A suitable method developed along these lines would be extremely useful in making a more meaningful study of the extent of real disparity at the sub-national level within a country.

However, till such a detailed method can be developed, a satisfactory alternative needs to be evolved. The common method of inter-State comparison of per capita income (at State prices) is very unsatisfactory for such of the States where the price levels are either too high or too low in comparison with the rest of the country. Also, for a study over a given time horizon, if the price level in a State A rises faster than in another State B, the per capita income of the State A at current prices would rise more steeply than in State B when the increase in production is the same in both. The Sixth Finance Commission recognized this problem and realised that the ranking of the States according to their per capita incomes does not represent a satisfactory picture. It felt that an adjustment of the comparable estimates of per capita State income on account of both absolute price differentials between States and their non-uniform movement between States would be desirable before they are used as one of the indicators for arriving at an equitable solution to problems like division of revenues. The method adopted by the Finance Commission for such an adjustment has been the recalculation of the State domestic product of all the States using a common set of prices. The all-India weighted average prices have been used for the purpose and a fresh set of comparable estimates has been obtained. Development of a technically more sound method similar to that for international comparison would very much expand the horizon of possible uses of State per capita income data for the study of regional disparities.

## COMMITTEE ON REGIONAL ACCOUNTS, 1972.

Report (Final), Delhi, Controller of Publications, 1976, 79p.

Chairman: Prof. M. Mukherjee.

Members: Shri V.V. Divatia; Shri S.M. Vidwans (replaced Shri M.A. Telang); Shri K.C. Sharma (resigned later on); Dr. L.S. Bhat.

Member-Secretary: Smt. Uma Dutta Roy Choudhury.

### APPOINTMENT

The Regional Accounts Committee was appointed by the Government of India, Central Statistical Organisation, Department of Statistics, Ministry of Planning vide their Resolution No. M. 13013/1/72-NSS.I, dated May 2, 1972.



## TERMS OF REFERENCE

(a) To consider and advise on the levels (state, district or other regions) at which Accounts should be prepared;

(b) to devise a system of regional accounts and standard supporting and supplementary tables for adoption by all the states;

(c) to suggest measures for building up regional accounts in the country taking into consideration the availability of data and requirements of Central and State Governments; and

(d) to examine the concepts, definitions, and classifications for preparation of regional accounts and to lay down guidelines.

## CONTENTS

Introduction; System of Regional Accounts; Standard Tables; Coverage and Methods of Estimation; Recommendations; Annexure I; Foot Notes; Abbreviations.

## RECOMMENDATIONS

### Introduction

The purpose of this chapter is to bring at one place the various recommendations of the Committee arising out of its deliberations and discussions with various authorities and experts. Some of these recommendations have already been made in the chapters that precede. Some others relate to the common measures required to be taken to improve the data base, the methodology, the co-ordination between the states and the central statistical agencies, and the personnel expertise. These recommendations which apply, with almost equal force, to the work of estimating income, expenditure and other related aggregates are not repeatedly mentioned in the earlier chapters and are stated here so that action can be taken to bring about a general improvement in the quality of all the estimates when they are fully implemented.

In this context two general points may be made. First, in view of the fact that cost structures change slowly, annual information on gross output is indispensable while data on costs could be collected at longer intervals. Second, it is important to ensure that an estimate pertaining to a year is based on data relating to that year, and the use of past observations, trends, etc., could be permitted only for the estimates of dimensionally unimportant variables.

The Committee would like to emphasise that improvement of estimates at the regional level and filling up data gaps for the purpose would automatically lead to improvement of the estimates at the national level. It would, therefore, be desirable that co-ordinated efforts are made to improve the data position in all the states simultaneously so that the fruits of such labour can also benefit and improve the estimates prepared at the centre.

The major problems in the state income estimation have been already stated in the First Report (Chapter I, Section 3). In para 3.17 of this First Report it has been indicated that the reliability of the estimates can be broadly grouped into three main categories according to data base.

(a) Where data are collected every year e.g. production of principal crops, mining, registered factories, etc.;

(b) where 'bench-mark' estimates can be worked out reasonably satisfactorily every few years and the estimates for the intervening years can be worked out by moving the bench-mark estimates by means of appropriate indicators of physical output and prices (e.g. livestock products, unregistered manufacturing, construction, trade, services etc.); and

(c) where national totals are allocated among states by the use of some meaningful indicators (e.g. banking, insurance, railways, central government administration, etc.).

The improvement in the quality of estimates will have to be brought about by improving the data base and priorities will have to be assigned in the task so that a co-ordinated and planned performance of data improvement can be taken up in accordance with the importance of the sectors or sub-sectors where the reliability of estimates is at present weak. It is recognised that all the three types of estimates (a), (b) and (c) mentioned above may have to continue for quite some time and in the case of some sub-sectors no change may be possible in the foreseeable future. However, even here, improvements will be necessary. For instance, in regard to estimates listed under (a) above time-lags can be reduced to a minimum; in regard to those under (b) better 'bench-mark' period estimates can be made and their frequencies might be increased. Also the appropriateness of the indicators used may be improved, whereas for the estimates under (c) allocation methods may need improvement. It may be that in course of time some of the sectoral estimates of (b) type may have to be upgraded to (a) type estimates and, wherever possible, this type of improvement will have to be brought about. One would for instance, desire that, considering their importance, the estimates of incomes from construction, or registered trade establishments are worked out through (a) type data base. These factors will have to be taken into account while working out the priorities in the programme of improving the data base.

Each regional economy may be divided broadly into (I) private organised sector and (II) private unorganised sector. The private organised sector can be defined to include those enterprises or establishments owned by non-government economic agents, which are registered or covered under one or the other of the widely applied Acts. It is assumed that, in the manufacturing sector, establishments which are covered under the IFA belong to the organised sector. In the trade sector, such establishments or business which are registered under the Sale Tax Act (which are prevalent in almost all the states in one form or another) and in the mining sector, mines registered under the Mineral Conservation and Development Rules may be considered as falling under the organised sector. The rest of the economic entities or establishments can be considered as falling under the unorganised sector. The division is purely one of convenience since the establishments classified as organised enable one to set up a frame for sampling or a frame for identification of the establishments and have, generally speaking, better records and readily available annual accounts.

The problems of data improvement are, however, not necessarily related to the organised or unorganised parts of any given sector. For instance income estimates from registered trade rest today on weak data base, whereas agriculture which definitionally belongs to the unorganised part of the private sector, has much better data base at least for the principal crops. But, by and large, the unorganised parts of



the economy will need much better data base than the one they have now. The specific steps to be taken for improving the data base in each sector or sub-sector for estimating regional incomes, expenditures etc. are recommended in this chapter. It must, however, be underlined that in the First Chapter wherein the Committee has attempted to present a set of accounts and supporting tables for households population and Public Sector, estimation of several economic aggregates is involved. Saving of the region, mixed income of the self-employed in the region and income due to free or reduced cost services furnished by government, private non-profit bodies and by industries, are some instances. Estimation of such additional items increases the magnitude of the task on hand. Here also, priorities will have to be assigned to the construction of accounts and tables. It may be that Account 5 on total consumption and income of the population will have to be given low priority. Another feature of the regional accounts and tables is the conceptual framework which one will have to grasp before the work can be started, and the figures properly understood and interpreted.

### Agriculture and Livestock

Regular annual estimates of yield rates based on crop cutting experiments are available only for the principal crops. We recommend that crop cutting experiments may be extended to cover all important minor crops in different regions. In the case of unspecified crops, other products and byproducts, we feel that surveys should be undertaken at least once in three years to estimate the yield rates and input structure apart from conducting type studies at shorter intervals. Data on livestock population become available once in five years through quinquennial livestock censuses. Yield rates of various livestock products are available only from occasional or ad/hoc surveys conducted by IAPS or DMI and are not uniform between states in terms of reference period, etc. There is a requirement of annual estimates of yield rates for providing figures of estimates of livestock products year by year. The Committee recommends that a set of annual surveys be undertaken furnishing estimates of livestock members and yield rate of major livestock products in all the states. Surveys may be conducted less frequently for estimating the average yield rates of various other items of livestock products including the subsequent processed products as well as the input structure of different products. The NSSO survey on livestock and livestock products undertaken in the 30th round if repeated at regular intervals would meet the latter requirement.

For agricultural and livestock products, it is necessary to collect prices for more items and from more markets, the selection of markets being reviewed periodically. Collection of prices of livestock products, particularly in rural areas, should be intensified. For livestock products, producer prices are usually not available and in order to obtain the estimates of gross output at producer prices, adjustments for trade and transport margins become necessary. This could be avoided by collecting prices regularly from producers.

Data on intermediate consumption in respect of agricultural crops and livestock products are inadequate. Recently a comprehensive survey for studying the cost of cultivation or principal crops has been launched by the Ministry of Agriculture on a continuing basis and the requisite data are to be

collected for different crops by rotation. The results in respect of individual crops as and when available should be put to use. Each state should examine the crops which are important to their economy and left out of this programme, and organise surveys to collect for such crops data on intermediate consumption and consumption of fixed capital. All such surveys on cost of cultivation or livestock should collect data on fixed capital formation as well.

### Forestry and logging

Output of major forest products by varieties and output and prices of minor forest products have to be collected on a regular basis by state forest departments and the time-lag in the availability of data should be reduced. Studies may be conducted, say once in five years, to estimate the unauthorised/unrecorded production. Surveys to collect data on intermediate consumption, consumption of fixed capital formation need be conducted at least once in five years.

### Fishing

Surveys to estimate the catch of inland fishing and subsistence fishing may be conducted by all the states through the collecting agencies in the states. Wherever two sets of estimates of production are available (e.g. from CMFRI, Mandapam and state agency), efforts should be made to bring about reconciliation to the extent possible. For the evaluation of output at 'producer prices' wholesale prices have to be adjusted for trade and transport margins. Attempt therefore should be made to collect producer prices at least from a small sample.

### Mining and quarrying

Data on output of all minor minerals as well as the details about intermediate consumption of fixed capital are not available. Information on inputs and consumption of fixed capital has to be collected in the case of the two major products as well, viz. coal and petroleum. The IBM or state departments of mining and geology may collect such information annually.

### Other Organised Sectors

For manufacturing, while ASI data are available to the states, both for the census and the sample sectors, it is necessary that the states develop their own index number series for industrial production and prices similar to the All-India series. This would provide an appropriate indicator to the states to move the latest available estimates based on ASI data to obtain current year estimates on a provisional basis.

Although a part of the trade sector belongs to the organised part, hardly any data are available. Available estimates of various aggregates like the value added, capital formation, total turnover and input costs, etc., are very weak. It is necessary that the establishments registered under Sales Tax Act are used as a frame and the turnover figures, also collected in this context, are used to stratify the various establishments covered under the Act. It is generally observed that a very small proportion of the trading establishments account for a large proportion of the total turnover. From the

sampling point of view this is a great advantage. It should therefore be possible to organise an all-India Survey of distributive trade at the interval of every five years through an appropriate agency. The State statistical agencies will need to co-operate in this matter by updating the frame, and also maintaining turnover figures on an annual basis for estimating figures of value added, etc. for inter-survey years.

Similar surveys should also be undertaken for organised transport and professions. Registration under the appropriate acts and similar other provisions may supply the appropriate frames. For construction, the feasible approach would be through the agencies making outlays rather than from institutions like construction companies. For example, in manufacturing, the ASI returns should provide the necessary information.

### Unorganised Sectors

In the case of manufacturing, construction, transport, trade, hotels, etc., and services some information on the organised corporate components will be available. In the case of the unorganised components of these sectors, it would be necessary to collect comprehensive information on various aspects for a bench-mark year. These bench-mark data are to be supplemented by current data on major indicators of trends of each of the activities on an annual basis for estimation for the intervening years. Till now it has not been possible to organise collection of annual data in these sectors.

As the Committee has observed, country-wide periodic censuses/surveys covering all these economic activities simultaneously will help in obtaining the bench-mark information. It is understood that the CSO has already initiated action for conducting the first economic census in the country to be followed by sample surveys by types of activities. Considering the magnitude of the sectors to be covered, the collection of data has been planned in two stages. The first stage consists of listing of all establishments, both household and non-household, collecting information on some basic characteristics at the listing stage, thus providing a suitable frame for conducting sample surveys at the second stage. The sample surveys at the second stage would provide detailed information on inputs, outputs, employment, capital formation, sources of finances, factor incomes, etc., on individual economic activities. The project would be comprehensive to the extent of covering all non-agricultural establishments in the unorganised sector and activities like wholesale and retail trade barring public and private corporate enterprises. The Committee hopes that the scheme will be expeditiously implemented and thus the major data gap in these sectors filled to a large extent.

It is also important to ensure that both household and non-household enterprises are covered in the course of data collection both for the census as well as the sample surveys. In other words the household and non-household surveys should be tied up in such a way that the same set of economic activities are covered at the same time in the household and non-household sectors and the complete results for any particular economic activity are obtained for the same period. Such economic censuses and surveys should be repeated periodically so that adequate bench-mark information relating to the unorganised sectors of the economy flows continuously.

Obviously, however, this programme will not provide the

annual output indicators and these can best be obtained by freezing a fraction of the NSSO and the Economic census samples and canvassing the same would provide estimates of a limited set of variables that could serve as surrogates of gross output for the unorganised sector. Once there is an agreement about this plan the Committee feels confident that the CSO in consultation with the SSB could work out the relevant variables or their surrogates.

It will be observed that all private activities except construction have been covered above. The analysis of balance sheets and annual accounts is not likely to prove useful for state level estimates in these sectors. The best way to estimate value added capital formation etc. is to use information available from the ASI for organised manufacturing. For other establishments covered under sales tax registration, shop establishments etc., it should be possible to obtain regularly information on output, input etc. For construction activity the most satisfactory answer for data on output, capital formation etc., may be organisation of sample surveys on the basis of area sampling and details available from ASI etc. For non-registered manufacturing as well as other non-registered establishments which are not so covered it will be necessary to organise large scale sample surveys at least once in five years giving details of output, input, capital formation etc. The estimates for inter-survey years should be built up with suitable indicators based on information on important inputs.

In the municipal areas, there is usually a system of approving building plans and issuing commencement and/or completion certificates. These records also provide a suitable frame for conducting sample surveys in urban areas. In the rural areas, surveys will be necessary to estimate the various aggregates related to the Construction Sector. These surveys can cover households and unorganised factories, trading establishments, etc., in the private sector.

### Public Sector

For the public sector, the most outstanding gap in information is with respect to local authorities. Detailed information on income and expenditure of local authorities needs to be collected regularly on an annual basis. The number of local bodies within a region is likely to be large depending upon its size and tiers of local administration. However the collection of data alone will not suffice and economic analysis of the details would be necessary. The task of analysis would require considerable resources and the problem is enhanced as the presentation of the budget is not uniform and does not provide information in sufficient detail. The Committee therefore feels that a uniform system of presentation and classification of accounts of the local bodies is necessary as in the case of state government budgets. The question of collection of the minimum necessary information in a specially devised form for the purpose, might facilitate the collection of relevant data as well as their analysis.

At present CSO, besides analysing the Central Government budgets, is also engaged in the analysis of budgets of all state governments and local bodies and accounts of non-departmental enterprises for the preparation of the Public Sector accounts. Once all the State Governments undertake the analysis of the budgets of administrative departments and non-departmental commercial undertakings falling within

their jurisdiction within a specified time schedule following uniform classificatory system, the CSO can make use of these results for consolidation, thus avoiding the present duplication of work. The CSO can in turn concentrate in preparing more detailed analysis of the corresponding counterparts at the centre providing the detailed break-up of various aggregates of the central government, the administrative departments as well as departmental and non-departmental enterprises located in the various states.

#### Private final consumption expenditure

According to the present long-term programmes of the NSSO, the household consumer expenditure surveys are to be carried out once every five years. The major gaps in the data system in this respect would therefore be relating to the annual indicators which would be needed to carry forward the bench-mark estimates of private consumption expenditure which would be built up on the basis of the NSS data. The SSBs may have to make special efforts in carrying out surveys on a smaller scale in order to build up indicators of consumption of atleast the major commodities or build up series of net availability of such commodities to the households for current consumption. However, if the NSSO uses a frozen sample recommended by the Committee, the sample could throw annual estimates of size distribution of an important segment of household consumption. Also, surveys should be organised to obtain size distribution of income suitably defined (as detailed in chapter II).

#### Capital formation

Wherever a producing sector is studied in detail through a census/survey, the Committee recommends that the query should cover all capital outlays of the enterprise. This has been mentioned in some of the above sections also, but this specific mention should be considered as the general recommendation of the Committee for all producing sectors.

#### Problems of inter-state comparability

In the past, the Planning Commission, the Finance Commission and the Ministry of Finance have been handicapped in the use of SDP estimates, not merely due to conceptual and methodological non-comparability between the estimates prepared by SSBs but also due to the price differentials that exist between the states. The conceptual and methodological problems have received good deal of attention and have been resolved to some extent. But the problems of differential prices and its effect on the inter-state comparability has not yet received the attention it deserves. The United Nations Project on International Comparison of National Accounts aggregates and purchasing power of currencies is devoted to the problem corresponding to price differentials between various countries and the associated question of com-

parability of per capita incomes. The method used is suitable for a realistic interstate comparison. India happens to be a participating country of this project. In view of this the Committee recommends that the CSO should pursue the project, already indicated, to study the purchasing power parities of the rupee in different states for a more meaningful comparison of domestic product between states. The Committee feels that to pursue this point, it would be desirable to have final outlays on consumption and capital formation by states at intervals more frequent than five years.

#### The Co-ordinating function of the CSO

The SSBs and the CSO in the past have played distinctive roles in the development of regional income studies in the various states. The CSO assisted by a working group on state income which includes several Directors of SSBs evolved standard methodologies whose adoption by SSBs has helped in achieving comparability in the estimates prepared by individual states. However, the present expanded work on the subject, as recommended by the Committee in its two reports, would call for much more important role to be played by CSO and SSBs mainly because of the work involved. The methodologies suggested, though broadly conforming to the standard methodologies adopted earlier, provide enough flexibility for the states to use better available data. This will call for examination of the methodologies from the point of view of uniformity of concepts as well as representativeness of the data used at the state level. Moreover, the preparation of regional accounts is an entirely new experience for the states. Estimation of the aggregates like capital formation, consumption expenditure and household income is likely to present both conceptual and methodological problems and some SSBs may require guidance from the CSO, at least in the initial stages. The preparation of SRA and the supporting tables will also necessitate collection of fresh data through sample surveys and type studies at the local level and unless these are enthusiastically pursued by SSBs and co-ordinated by the CSO by providing guidelines at the technical level as well as ensuring their simultaneous implementation it is unlikely that comparable estimates for all the states will become available soon.

It would be clear from the report that for a large number of items of the accounts and tables the sources of data lie beyond the ambit of the SSBs. Apart from this some of the estimates to be entered in these accounts are to be based on national calculations and certain uniformity in these calculations is necessary so that their allocation to all states add up to what in aggregate was allocated initially. This points, therefore, to the necessity of a central agency securing the necessary data, making the calculation of allocation and communicating them to the states. The CSO would thus have to take up this additional role if the SRA is to be put into practice. Without its active participation in this endeavour the states would not be able to prepare the accounts.

# COMMITTEE ON URBAN WASTES, 1972.

## Report, New Delhi, Ministry of Works and Housing, 1975. 141p.

Chairman: Shri B. Sivaraman.

Members: Shri N.K. Sreenivasan; Shri. M.M. Suri; Dr. A.K. Ghosh; Dr. A.B. Joshi; Shri Asok Parthasarathy; Prof. N.Majumder; Shri. V.D. Desai; Shri. P.S. Mazumdar; Dr. Daroga Singh; Shri. T.S. Swamy; Dr. B.C. Ghosal.

Members-Secretary: Shri Satish Kumar.

### APPOINTMENT

The collection and disposal of refuse and other wastes is one of the pressing problems of city life which has assumed great importance. With the growing urbanisation as a result of planned economic growth and industrialisation, it is becoming acute and calls for immediate and concerted action. The proper disposal of urban wastes has not only the dimension of preservation and improvement of public health to it but has great utility and value for agriculture purposes as well. The Ministry of Agriculture had estimated that the city communities which form one-fifth of the population of the country were generating over 12 million tonnes of waste every year in the forms of katchra, night-soil and slaughter house wastes which if properly treated could help in agricultural production immensely.

While in advanced countries the entire process of collection, transportation and disposal of urban wastes has been mechanised, in our country we are still far behind even in mechanisation of collection and transportation of city refuse. With rapid increase in population in cities, the city environs have been deteriorating progressively endangering the health of the citizens. Further deterioration will not only aggravate the situation but is likely to create other problems. It was, however, necessary to study the problem in its entirety and devise appropriate methods before a concerted programme could be launched.

Considering the urgency of the problem, the Ministry of Health and Family Planning (Department of Health) who were then concerned and dealing with the matters relating to city administration and public health and environmental engineering set up a broad based Committee of experts, to look into the problems in depth and make recommendations for effective and economical ways and means to tackle the problem under the Government of India, Ministry of Health and Family Planning (Department of Health) vide their Resolution No. Q-13016/9/71-PHE dated May, 6, 1972.

### TERMS OF REFERENCE

1. To study the problem of disposal of city refuse and night-soil and present methods of disposal thereof in this country, keeping in view the extent of environmental pollution caused by existing methods and the practice and usage in

other countries. Also to study the present and future planning for the utilisation and disposal of such waste.

2. To determine the extent to which the urban waste can be used in the form of organic manure as a supplement to chemical fertilizers and the precautions to be taken to prevent any adverse effect on health in its use.

3. To study the methods for mechanical composting, the cost of establishment of plants and transportation and suggest most suitable methods for conditions obtaining in this country.

4. To estimate the order of investment required and the economic viability of such programmes, keeping in view the need for agricultural purposes and other social benefits.

5. To find out an idea of the estimated cost of compost at delivery point vis-a-vis the cost of chemical fertilizers and the capacity of the agriculturists to meet this cost and subsidies, if any, recommended to popularise this compost.

6. To suggest modifications, if any, required in public health policies and other State or Central enactments to enable maximum composting of this resource.

7. To recommend a plan of action to implement the policies and proposals made by the Committee.

### CONTENTS

List of Tables; Summary of Conclusions and Recommendations; Part-I Report:- Introduction; Present Status; Collection and Transportation of Urban Wastes - Problems; System of City Garbage Disposal; Composting; Municipal Sewage Utilisation for Irrigation; Legislation. Part-II Appendices from I to VII; Annexures from I to XVII.

### RECOMMENDATIONS

#### Introduction

The Government should take adequate steps to ensure proper implementation and follow up the recommendations made by the Committee.

#### Present Status

While some of local authorities were not contributing adequate finances to the basic service of wastes disposal, some other were spending high proportion of their income leaving very little for other services. This reduces the status of the local authorities to more or less limited sanitation authorities in place of their being fullfledged municipal authorities performing wide range of services.

Less than 25% of the available potential for preparing agricultural manure is being exploited at present.

In monetary terms, the value of the manure prepared from the city refuse should be tremendous and if tapped it

media, educational institutions, voluntary agencies, social organisations, seminars, periodical campaigns, etc.

#### Composting

Keeping in view the necessity of recycling wastes for manual purposes, composting may be made obligatory on the part of local authorities.

Depending on the local conditions, all compostable material should, as far as possible, be utilised for composting and the remaining material disposed of by sanitary land-filling.

The present practice of dumping night soil with city refuse should be banned. Night soil should be utilised either for composting with due health safeguards or it should be trenched property.

Appropriate rules and bye-laws on composting be framed for the guidance of the local authorities.

The State Governments should revitalise the scheme of urban composting and provide financial and technical assistance for the purpose to the local authorities.

In the sewered cities, the sludge may be utilised with city wastes for composting. For this purpose, the composting grounds should be situated as near the sewage disposal works as possible.

Steps should be taken to ensure quality of the compost. The extraneous materials (like brick pieces, iron, glass pieces, leathers, rags, etc.) should as far as possible be sorted out of the refuse before composting. Depending on the volume of work, mechanical sieving plants be set up in large cities.

The Ministry of Agriculture and the Ministry of Petroleum and Chemicals may get studies regarding efficacy of admixture of rock phosphate pyrites conducted early and take steps to put the process in use, if found advantageous.

Procedure for acquiring land for composting grounds should be simplified and if necessary special powers should be given to officers responsible for acquisition of land for the purpose.

In the town planning schemes, specific areas should be earmarked for composting grounds.

Since composting will be advantageous for agricultural operations the State Agriculture Departments should look into the possibility of providing assistance particularly for transport needed for compost distribution, including loan and subsidy on a temporary basis till the profitability is built up.

The State Governments should encourage exchange of experience in this respect among the local bodies in the State as well as with local bodies in other States who have been able to launch the composting programme successfully and economically.

The State Governments should make a detailed study of economics of composting and provide the local authorities with detailed guidelines for making composting a self-paying proposition.

The present system of selling compost by auction in heaps or car/truck loads should be replaced by sale by weight and at fixed prices.

The Central and State Governments and the local authorities should take steps to popularise compost through mass media, farmers, forums, cooperatives, etc.

#### Mechanisation in Composting

Composting process and extent of mechanisation should be carefully selected to suit our conditions.

Where land is available in plenty, it may be desirable to follow a system of window composting suitably adopted to local conditions. Where space is limited but skilled manpower is available, it may be desirable to adopt one of the enclosed cell composting methods.

The location and size of the plants should be so designed as to balance between the haulage of wastes and the economies of size.

There is an immediate need for assessing and evaluating the utility of available equipment and for introducing new equipments for materials handling.

We commend the guidelines on mechanisation prepared by the NIDC (Appendix XIII) for adoption by concerned authorities keeping in view certain specified aspects.

The Committee recommends addition of sewage/sullage to the refuse, keeping in view certain requirements.

The ideal size for standardisation would be approximately 100-150 tonnes per day capacity plant. A large capacity upto 300-450 tonnes per day can be provided by providing multiple units at one location. If the population of the city is more than 10 lakhs and the area is more than 100 sq. Km. then provision of more than one composting plant should be considered.

Research and development work should be taken up by the institutions for evolving able tools and equipments for bridging the existing gap and introducing innovations.

The concerned Ministry may maintain a list of approved consultants who may be employed by the local authorities for setting up mechanical composting plants.

The setting up of compost plants and their operations should either be entrusted to the Agro-Industries Corporations or be a joint venture of the local bodies and the Agro-Industries Corporations.

Large local authorities who are willing to take the responsibility of setting up and operating these plants may be encouraged subject to certain arrangements.

It will be cheaper to manufacture compost mechanically than chemical fertilisers on an equal plant nutrient basis. The favourable economics plus the additional advantage of compost being a good soil nutrient should make it popular among the farmers.

We reiterate the recommendations made in the interim report regarding financial pattern and the management of the scheme at the Central Government level.

Project Management Groups may evolve detailed guidelines to be followed by the State Governments and the local authorities.

#### Municipal Sewage Utilisation for Irrigation

In all cities/towns where underground drainage system has been laid, efforts should be made to cover the entire city.

The local bodies should draw up and implement a phased programme to make surface drains 'pucca' as early as possible. A part of the assistance provided to local bodies for general purposes should be earmarked for this purpose.

While formulating National Water Supply and Sanitation schemes, specific allocations be earmarked for underground sewerage so that specified targets are achieved.

- matter of obtaining tickets and reservations;
- (b) to remove the lacunae in the procedures which permit commission of irregularities;
- (ii) to identify the nature of malpractices and irregularities committed by outsiders including unrecognised Travel Agencies in securing unauthorised reservations and to suggest measures to stop the same; and
- (iii) to study the adequacy of the existing provisions of law to deal effectively with the offenders and to make recommendations in this regard.

## CONTENTS

Introduction; Time limit for advance Reservation; Working Hours of the Reservation Offices; Waiting Lists; Summary of Observations and Recommendations; Appendices A to Q; Tables I to X; Charts I to III.

## RECOMMENDATIONS

### Introduction

The First Report deals with three aspects of reservation system:

- (i) Time limit for advance reservation;
- (ii) Working hours of reservation offices; and
- (iv) Waiting lists.

### Time Limit for Advance Reservation

It is observed that there is an imbalance between demand of the passengers and the capacity available leading to excessive over-crowding on important trains.

Passengers seek reservations because by paying a small additional amount, one can avoid inconvenience of over-crowding.

When the three facts of (i) higher rate of long distance traffic, (ii) restricting of coach utilisation through reserved accommodation and (iii) difficulty in augmenting capacity are seen together, the rationality for excessive demand for reserved seats or berths than the present capacity and the unavoidable premium on reserved seats or berths become only too obvious.

On most of the important trains, the entire accommodation open for reservation gets filled within hours of opening of the reservation offices.

When the maximum time limit for advance reservation is fixed, as at present, those who are not successful in obtaining reservation on the opening day, have to come till they are able to book their seats or berths. This is most pronounced at important stations for long distance trains.

One of the main reasons for people sleeping overnight and touts occupying queue positions, is the rush for reservations at the time of opening of the windows which is inevitable if the time limit is short.

Due to shorter duration of 10 days of advance period for third class as compared to 20 days for first class, there is a greater scope for malpractices in third class and AC chair-car reservations. Anti-social elements corner reserved accommodation because of the obvious advantage of making quick money within a few days.

A number of suggestions from the public were received

by the Committee for removal of malpractices. An analysis of these suggestions as well as preliminary discussions with the officials revealed that one of the important reasons for the malpractices is the short period allowed for advance reservation.

There were a few objections to extending the period of advance reservation which were:

- i an average passenger cannot plan his journey in advance;
- ii it would help unrecognised Travel Agents;
- iii seats would get blocked much in advance of the date of journey, making emergency travel difficult;
- iv poorer classes cannot block money in advance; and
- v workload of staff and cancellations would increase.

In view of the mixed reaction to the proposal for extending the time limit for advance reservations, the Committee decided that the Railways should undertake experiments in extending the time limit for advance reservation both during lean and rush periods. Accordingly, an experiment for keeping the reservation open for 30 days in advance for all classes was conducted from November 15 to December 14, 1972 and from April 15 to May 14, 1973. From May 15 to July 15, 1973 the period was made unlimited.

Analysis of the data of the experiments revealed that an average passenger, especially that of the third class, plans his journey much better. For example, more than 1,000 passengers booked 40 days in advance ex-Delhi to Madras.

The pattern of advance booking shows that longer the train journey, the earlier is the demand for reservation.

When the period for advance reservation was more, the scope for malpractice by unrecognised Travel Agents was much less as they were not able to block money over a long period.

Report from Calcutta alleging blocking of reserved accommodation in fictitious names on important trains during Puja holidays and non-availability of same were not quite correct. Accommodation on most of the trains was available even at the end of the two months experimental period.

The bulk of the reservations were only between 11 to 25 days in advance of the scheduled journey and it was found sufficient to have registers for 30 days with some extra pages. Extension of the period of advance reservation would not increase the workload.

Number of cancellations did not increase significantly during the extended period of advance reservation as compared to normal periods.

There was fear that emergency travellers may suffer if the period is extended. However, the situation regarding emergency travel would not get aggravated even with the extension.

During the period of the experiment, excessive rush and scramble for queue positions on the day of opening decreased. The queues were substantially shortened in the morning as the reservations were spread throughout the day.

Discreet enquiries by CBI, at metropolitan cities, revealed that business of unrecognised Travel Agents had considerably gone down during the extended period of advance reservations.

Railway employees and representatives of their unions supported the idea of the extension of time limit for advance reservations.

The Committee considered three alternatives:

- (i) a time limit for advance reservation for three months;
- (ii) a time limit for a year; and
- (iii) unlimited time.

After weighing pros and cons of the various alternatives, the Committee recommends the time limit of one year for advance reservations uniformly for all classes of accommodation.

### Working Hours of the Reservation Offices

The primary consideration in determining the working hours of reservation offices should be the convenience of passengers keeping in view the additional cost of operation. The Committee has tried to take a balanced view between the financial cost and the non-quantifiable factors like the benefits and convenience to the passengers.

The working hours of reservation offices vary from railway to railway, class to class and city to city as also from one reservation office to another within a city.

Though the workload in the reservation offices for the lower classes is much higher, the staff strength and the facilities to the lower class passengers are far poorer than those of the upper classes.

Absence of protest and higher degree of tolerance on the part of poorer section should not result in lack of attention and action on the part of the Railways.

During the experimental period, it was observed that a fairly large number of passengers booked seats during the extended hours. The queue length and the average waiting time also got reduced substantially.

Inconvenient and limited hours of working of reservation offices have, to some extent, also helped unrecognised Travel Agents to flourish.

The Committee notes that the workload differs from counter to counter and there is a need for rationalisation to reduce long queues.

The Committee, therefore, recommends that the Railways should have uniform working hours for all classes of reservations, and the reservation offices at all major stations should function on two shift basis for 16 hours a day.

### Waiting Lists

The Committee observes that maintenance of waiting lists provides an indicator to the Railways to initiate advance

action for augmenting train capacities for the likely excessive demands on particular days. Further, the waiting lists operationalise the concept of 'first come first served' for allocation of seats and berths on the spot in case these fall vacant due to any reason.

At present, waiting lists for third class passengers are kept to the extent of 10 percent of the accommodation, whereas there is no limit for waiting lists for upper classes.

The present limit on maintaining waiting lists for lower classes of travel has created an inbuilt mechanism which gives no scope for attaching extra coaches for third class, while it leaves scope for augmenting of capacity for upper classes.

The Committee has observed that in practice a fairly large number of berths and seats became available for allotment due to last minute cancellations and non-utilisation of quotas. It is not uncommon to find that the waiting list is smaller than the number of seats which fall vacant for allotment.

In spite of the rules that the Railways should decide to attach additional coaches atleast three days in advance, in practice the decision is normally taken on the day of the journey. This creates situation where passengers find lot of vacant space on the trains, though it was denied to them at reservation offices. This space comes handy for allotment at the discretion of the railway staff or through porters and unrecognised Travel Agents.

The Committee finds that the number of seats and berths allotted by the Travelling Ticket Examiners, Conductors or Coach Attendants is large, which is not a healthy situation.

The Committee has observed that according to the present rules the waiting lists lapse on the departure of the train, which wipes out the order of preference for allotment on train.

The Committee, therefore, recommends that:-

- (i) limit imposed on the size of the waiting list for lower classes should be withdrawn;
- (ii) the waiting list should not lapse on the departure of the train and the wait-listed persons should be given preference in order of priority over others; and
- (iii) Rule 627 of the Commercial Manual making it obligatory to have indication boards with the legend 'Reservation Booth for Wait-listed Passengers' should be strictly implemented on all important stations.

# INDIAN COUNCIL OF AGRICULTURAL RESEARCH ENQUIRY COMMITTEE, 1972.

Report, New Delhi, Ministry of Agriculture, 1973, 155p.

Chairman: Shri P.B. Gajendragadkar.

Members: Prof. D.S. Kothari; Prof. B.D. Nagchaudhuri;

Shri H.N. Sethna; Shri B. Venkatappiah.

Member-Secretary: Prof. M.S. Kanungo.

Deputy-Secretary: Mr. K.K. Bhatnagar.

## APPOINTMENT OF THE COMMITTEE

On May 5, 1972, newspapers all over the country flashed the tragic news that a young Agricultural Scientist, Dr. H.V. Shah, who was working as a Senior Agronomist and Associate Project Coordinator in the Indian Agriculture Research Institute, New Delhi had committed suicide by hanging himself at his residence the previous night. Both Houses of Parliament were then in session. Members of Parliament naturally were deeply distressed and expressed grave concern at this unfortunate event; and that led to a debate in both Houses. During the course of this debate Members of Parliament regretfully referred to previous suicides committed by Agricultural Scientists. It was recalled by some members that Dr. M.J. Joseph, Teaching Assistant, Division of Entomology, I.A.R.I., had committed suicide on January 5, 1960. Reference was also made to the suicide made by Dr. S.S. Batra, Assistant Research Officer (Veterinary), National Dairy Research Institute, Bangalore, on March 28, 1970. Members complained that everything was not well on the campuses of the Agricultural Institutes and the Indian Council of Agricultural Research and they demanded that a high power committee should be appointed to make a comprehensive inquiry into the affairs and administration of the ICAR.

The Minister of Food and Agriculture expressed his sentiments on the points made by Members of all sections in both Houses, the Minister promised to appoint a high-power committee to examine the relevant question.

In accordance with this assurance, the Union Government issued a Notification that a high level Committee under the Chairmanship of Dr. P.B. Gajendragadkar, retired Chief Justice of India, has been set up by the Government of India consisting of distinguished leaders of science and education as members to inquire into the recruitment policies of the Indian Council of Agricultural Research vide its Resolution No. 24-1/72-Genl. Coord. dated the 27th June, 1972, for a period of six months.

## TERMS OF REFERENCE

The terms of reference prescribed for the inquiry by the Committee are as follows:

- (1) To examine the statements and incidents mentioned

by Dr. Shah in the letter of May 5, 1972, addressed by him to the Director-General, Indian Council of Agricultural Research, New Delhi, before Dr. Shah committed suicide.

- (2) To review the recruitment and personnel policies of the Indian Council of Agricultural Research, Institutes and Centres working under it, and to suggest measures for their improvement.

- (3) To consider any other relevant matters which, in the opinion of the Committee, would help it to make effective recommendations.

It would be noticed that, in this notification, the names of persons composing the enquiry Committee had not been mentioned; that was done by the notification issued on the 10th of July, 1972, which announced the composition of the Committee.

## CONTENTS

Introduction; Scope of the present enquiry - our approach; Structure and status of ICAR - before and after 1966; Present system of appointments in retrospect; Structure of Allied Organisations - brief summary; Written and Oral evidence; Findings of the statements and allegations made by Dr. late V.H. Shah in his letter dated 5-5-1972; Status and structure of the Agricultural Organisation at the Centre—our recommendations; Agricultural education; Personnel policies for the Department of Agricultural Research and Education; Working conditions of Scientists; The problem of the Research side staff (Ministerial staff) of the ICAR; Main recommendations and findings. Appendices - copy of letter of late Dr. V.H. Shah handed over by police on 5-5-72; questionnaire; Circular issued by Ministry of Agriculture; List of Members of Parliament who appeared before the ICAR inquiry committee; Answers to questionnaire; Terms of Reference of Panel of Advisers; Visit of the Committee to different institutes; Some cases of irregularities; Report of the Panel of Advisers.

## MAIN RECOMMENDATIONS AND FINDINGS

In view of the importance of agriculture and the responsibility of the Government to help in the production of proper and adequate food by the people of the country, we recommend that the Government should assume direct responsibility for agricultural research and education. It is accordingly recommended that the ICAR should be made a Department of the Central Government under the Ministry of Food and Agriculture. It may be named "Department of Agricultural Research and Education (DARE)". Adequate



steps should be taken to safeguard the status and seniority of the employees of the ICAR.

We do not approve the idea of establishing an Agricultural Research Commission.

There should be an Advisory Council for Agricultural Research and Education of which the Minister of Food and Agriculture would be the President. The Council should have representatives from the Centre and States and the term of non-official members should be five years.

It would discuss matters of policy pertaining to agricultural research and education, review the progress and problems of agricultural research and education in the country and make recommendations to the Centre and the States. It should have two Vice-Presidents - the Secretary of DARE and other an eminent scientist who should not be an employee of DARE (hereafter described as Vice-President I and Vice President II). It should have a scientist as its secretary.

The DARE should have two Executive Committees (a) Executive Committee for Agricultural Research (ECAR) and (b) Executive Committee for Agricultural Education (ECAE). The tenure of the members of these two Committees, except ex-officio members, should be five years.

There should also be a Co-ordination Committee for the Ministry of Food and Agriculture whose function would be to coordinate the work of the various departments under the Ministry of Food & Agriculture.

The Secretary of DARE (Vice-President I) should be the Chairman of the ECAR. Its total membership should be 15 which would include the Chairman of ECAE, some representatives from DARE and its institutes, and State Governments. It should also include some agricultural experts and some Vice-Chancellors of Agricultural Universities. It would be concerned with matters such as determination of priorities for research, selection and allotment of funds for project-oriented and time bound applied research to the Institute of DARE, Agricultural Universities and Administration of All India Co-ordinated Projects. The Committee should have a scientist as its full-time Secretary.

The Vice-President II of the Council should be the Chairman of the Executive Committee for Agricultural Education. Its total membership would be 15 and it would include the Chairman of ECAR, some Vice Chancellors of Agricultural Universities and some representatives of DARE. The Chairman would be directly responsible to the Minister.

The functions of ECAE should include allotment of funds for teaching and research to Agricultural Universities and the IARI, IVRI and NDRI. The funds should be allocated to Universities and to the institutes on assessment of their needs, potential and capabilities, review of curricula for teaching at various stages and maintenance of standard of agricultural education, etc. It should have a secretariat headed by an Agricultural Scientist and should include specialists for various relevant aspects of agriculture. The Committee will allocate to the IARI, NDRI and IVRI maintenance grants on the existing basis for their teaching requirements.

The Institute of DARE should have autonomy in financial and administrative matters. Each Institute should have an Executive Council and the Director of the Institute should administer its affairs in consultation with this Council. Once

allocation of funds is made, the Institute should have full authority for its expenditure subject to salutary rules. Financial and administrative powers should be delegated to Heads of Divisions, Project Leaders and the research scientists to ensure speedy implementation of research work.

The system of joint consultative machinery operating in the Central Government Departments should be implemented in DARE.

In each institute there should be a "Grievance cell". It should have three to five members nominated by the Executive Council and would select its own Chairman and devise its procedure in accordance with the principles of natural justice.

In regard to three large Institutes IARI, IVRI and NDRI, the same procedure may be followed in each Division.

The staff under DARE and its institutes should be classified into four categories, viz.,

- (a) Scientists
- (b) Technical
- (c) Supporting
- (d) Administrative.

The number of grades should be reduced. There should be only three categories of scientists and three corresponding scales of pay. We have deliberately tried to reduce the number of grades but in prescribing the salaries for these grades, we have taken the precaution of not exceeding the maximum of the existing grades whose merger we are recommending:

- (i) Junior Scientist Rs. 400-40-600EB-50-950
- (ii) Senior Scientist Rs. 700-50-1050EB-75-1400
- (iii) Principal Scientist Rs. 1100-60-1400EB-100-2000
- (iv) Higher pay for eminent Scientists.

The selection for these four categories of scientists should be made through UPSC. We recommend that the UPSC should have a Science Wing for this purpose. The Wing should have three Scientist members, one of whom should have the status of Vice-Chairman of UPSC. There should be at least two in the field in each selection committee. Once a year the UPSC should receive suggestions of names for the Panel of Experts for each discipline from DARE and the Divisions of Institutes.

This arrangement of recruitment through UPSC would be implemented for five years after which the matter may be reviewed.

The recruitment of junior scientists should be made annually as outlined in Chapter - X. 25 per cent of posts in this grade should be reserved for selection from the research assistants by the UPSC. All posts above Junior Scientists should be filled by open recruitment.

There should be an efficiency bar in each of the three grades of Scientists after first five years of their service.

In exceptional cases there should be provision for appointing outstanding scientists on a tenure basis by giving them higher pay beyond the grade of Principal Scientists.

The existing grades of Research Assistants and Senior Research Assistants should be merged and be renamed Research Assistant, which should have a pay scale of Rs. 210-575.

The Research Assistants should be selected by the respective Institutes through selection committee to be constituted for each post or category of posts. The Committee should be presided over by an outside expert.

The recruitment to the posts of Director of Institutes,

A.D.Gs and D.D.Gs and similar posts should be made through UPSC by open advertisement. These appointments should be made for a term of five years. The existing permanent incumbents of these posts should be given the option of returning to research positions in the Institutes. Their present salaries would be protected in such cases. On the expiry of the term, a person may be given another term, not exceeding three years, if he is selected by the UPSC. Their scales of pay should be the same as that of Principal Scientists. However, they may be given fringe benefits like free accommodation, car allowance etc. or alternatively a lump sum allowance.

Ad hoc appointments should be stopped as far as possible. If a post of a Head of Division or Director or any other important post suddenly falls vacant due to resignation or death, the seniormost person in the Division or Institute should ordinarily be made incharge or, if necessary, an ad hoc appointment be made with consent of the UPSC. The UPSC should convey its approval within one month to this proposal, failing which, the competent authority may make the ad hoc appointment for a period not exceeding six months.

The post of Head of the Division should be held by Principal Scientists of the Division for a period of three years each and it would normally go by rotation amongst the Principal Scientists on the basis of seniority, except in cases where the Director and the Divisional Committee decide otherwise for reasons to be stated. No allowance should be given to the incumbent for holding this post for the period.

The Head of the Division shall administer the Division in consultation with a Divisional Committee. The Divisional Committee should consist of not more than 12 members. The actual size of the Committee would be decided by the Director. All Principal Scientists of the Division should be on the Committee and the remaining number will be divided half and half among the junior and senior scientists. The function of the Committee would be as described in Chapter - X. The members of the Committee representing Junior and Senior Scientists should hold office for a period of two years by rotation on the basis of seniority.

The present system of maintenance of confidential reports of Scientists should be replaced by the following procedure. Each scientist should mention the work done by him in the preceding year in a proforma and forward it to the Head of the Division. The Head of the Division should forward the proforma along with his comments to the Director of the Institute. The Director should place the proforma along with his comments before a small internal sub-committee for the special discipline to be nominated by him in consultation with the Executive Council.

Scientists who have made a distinct contribution in carrying out the research work should be the authors of research papers/ reports. Research work carried out in Division should be first presented in Seminar of the Division before publication.

Research findings intended to be publicised through press or radio should first be placed before a Divisional Committee with relevant data. If this Committee feels that the matter deserves the publicity, it should pass it on to the Director with its comments. The Director should then assess the merits of the data before publicising the said research data.

Working conditions for the scientists in the campuses should be improved. The following steps should be taken in this regard. Sufficient number of quarters for Junior Scientists and other workers should be built. Liberalisation of financial rules should be made to enable individual scientists to make purchases of equipment, chemicals, etc. from their grants; freedom to the scientists should be given to use the equipment and resources of the Division and the Institute.

Principal, Senior and Junior Scientists should not have more than 6, 4, 2 research students respectively at a time including M.Sc. and Ph.D. students. The research students should have the option of selecting their supervisors.

The Panel of Advisers has suggested the following improvement in the method being followed by the Ministry of Agriculture for release of new varieties of seeds.

1. In the proforma for describing the quality of seeds, both the favourable and unfavourable aspects of the seeds should be mentioned.

2. Record of experiments carried out under various projects should be kept properly and scrutinised by supervisors and experimental data should be assessed by competent statisticians.

We endorse these recommendations made by the Panel.

#### Findings on allegations made by Dr. Shah in his letter

The Committee has considered the report of Panel of Advisers and records its findings as follows:

##### 1. Large-sized seed potato has been used to show high yields

This allegation of Dr. Shah was about the experiments conducted in the IARI. The Panel of Advisers has observed as follows about the records maintained in the IARI regarding these experiments:

"We are able to obtain from the Director IARI the Field Note Books on these experiments. We regret to say that the field records in these books are extremely unsystematic and that the books are more in the nature of scribbling pads. The physical conditions in which they are preserved are also not good. The yields recorded in these books broadly tally with those published in the above mentioned publication; but the difference, though negligible, is nowhere explained. Regarding the size and quantity of seed used, we could locate only one entry in the note book for the year 1969-70. It includes that 15 quintals/hectare seed of Kufri Alankar was planted. The experiments were conducted presumably on 1/46 hectare plots. The note book does not record the actual quantity of seed used in specific experiments. We consider this quite unsatisfactory manner of recording of experimental data."

The Panel, however, has further gone into the matter and collected data on similar experiments conducted in different states. They have concluded on the basis of those records that the range in the size of the seed used in the IARI experiments was not particularly large. The Panel has also observed that the yields obtained in the IARI experiments do not appear to be exceptionally high. They have accordingly concluded as follows: "Therefore, on the strength of the evidence before us, we do not think that Dr. Shah's allegation that 'in relay cropping, a very large sized potato seed was used to show yields' can be sustained".

**(ii) Baisakhi moongdal not proved successful in National Demonstration**

The Panel has found that Dr. Shah's allegation about the exaggerated claims made in respect of the yield of Baisakhi moong has some substance. We agree with the observations made by the Panel.

**(iii) Slow release Nfert, or nitrification inhibitors did not find experimental validity**

The Panel has observed Dr. Shah's allegation that because the work did not find experimental validity anywhere else in the country, cannot therefore be sustained. Moreover, it seems that the work is still in the exploratory stages:

We agree with the observations made by the Panel.

**Findings on additional items referred to the Panel Advisers**

**(i) A new strain of maize having its protein and lysine content doubled**

The Panel has observed as follows regarding the allegations made about the quality of a new strain of maize:

"It is obvious, therefore, that there has been a certain confusion in public mind regarding the claims of the high lysine maize because of a failure to see the difference between protein content and lysine content. In this scientists of ICAR are not entirely free of blame. The subject also appears to be somewhat over-advertised."

We agree with the observations made by the Panel.

The Panel has found that the claims that Sharbati Sonara has high lysine content is not sustained.

We agree with the observation made by the Panel.

The Panel has found that the allegation made about the exaggerated claims of the high yield of Bajra and the quality of Rice is not correct.

We agree with the observations of the Panel.

**Findings on other statements made by Dr. Shah**

In regard to the other allegations made by Dr. Shah in his letter, expressing his dissatisfaction and resentment against the atmosphere prevailing in the campus and several university events taking place thereon, the Committee has come to the conclusion that the general nature of the complaints made by Dr. Shah is justified. However, in regard to several specific statements, such as in paragraphs 3(a), (b) and (c) no evidence has been produced before the Committee.

In regard to the appointment of Dr. Rajendra Prasad as Professor of Agronomy, the Committee has come to the conclusion that the appointment of Dr. Rajendra Prasad as Professor of Agronomy is justified.

In the light of all the relevant facts to which the Committee has given anxious considerations, the Committee has come to the conclusion that there are several aspects pertaining to the appointment of Dr. De as Head of the Division of Agronomy which must be regarded as unsatisfactory and, therefore, casting doubts on the propriety of this appointment. The Committee, therefore, concludes that the appointment of Dr. De as Head of Division of Agronomy was not properly made.

## **FINANCE COMMISSION, 1972.**

### **Report, Delhi, The Controller of Publications, 1973. 349p + ivp.**

**Chairman:** Shri K. Brahmananda Reddi  
**Members:** Shri Justice Syed Sadat Abdul Masud; Dr. B.S. Minhas (Part-time); Dr. I.S. Gulati.  
**Secretary:** Shri G. Ramachandran.

#### **APPOINTMENT**

In pursuance of the provisions of article 280 of the Constitution of India and of the Finance Commission (Miscellaneous Provisions) Act, 1951 (33 of 1951), the President of India constituted the Commission vide his Order dated 28th June, 1972.

#### **TERMS OF REFERENCE**

The Commission shall make recommendations as to the following matters:

(a) the distribution between the Union and States of the net proceeds of taxes which are to be, or may be, divided be-

tween them under Chapter I of Part XII of the Constitution and the allocation between the States of the respective shares of such proceeds,

(b) the principles which should govern the grants-in-aid of the revenues of the States out of the Consolidated Fund of India and the sums to be paid to the States which are in need of assistance by way of grants-in-aid of their revenues under article 275 of the Constitution for purposes other than those specified in the provisos to clause (1) of that article having regard, among other considerations, to:

(i) the existing practice in regard to determination and distribution of Central assistance for financing State Plans;

(ii) the revenue resources of those States for the five-years ending with the financial year 1978-79 on the basis of the levels of taxation likely to be reached at the end of the financial year 1973-74;

(iii) the requirements on revenue account of those States to meet the expenditure on administration taking also into account such provision for emoluments of Government

employees, teachers and local body employees as obtaining on a specified date as the Commission deems it proper in the light of the States' capacity and needs, interest charges in respect of their debt, transfer of funds to local bodies and aided institutions and other committed expenditure;

(iv) adequate maintenance and upkeep of capital assets and maintenance of Plan schemes completed by the end of 1973-74, the norms, if any, on the basis of which specified amounts are allowed for the maintenance of different categories of capital assets being indicated by the Commission;

(v) the requirements of States which are backward in standards of general administration for upgrading the administration with a view to bringing it to the levels obtaining in the more advanced States over a period of ten years; and

(vi) the scope for better fiscal management and economy consistent with efficiency which may be effected by the States in their administrative, maintenance, developmental and other expenditure;

(c) the changes, if any, to be made in the principles governing the distribution amongst the States of the grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957;

(d) the changes, if any, to be made in the principles governing the distribution amongst the States under Article 269 of the Constitution of the net proceeds of any financial year of estate-duty in respect of property other than agricultural land;

(e) the changes, if any, to be made in the principles governing the distribution of the net proceeds in any financial year of the additional excise duties leviable under the Additional Duties of Excise (Goods of Special Importance) Act, 1957, on each of the following commodities, namely:

- (i) cotton fabrics,
- (ii) woollen fabrics,
- (iii) rayon or artificial silk fabrics,
- (iv) sugar, and

(v) tobacco including manufactured tobacco, in replacement of the States' sales taxes formerly levied by the State Governments:

Provided that the share accruing to each State shall not be less than the revenue realised from the levy of sales tax for the financial year 1956-57 in that State; and

(f) the principles governing the distribution among the states of the grant to be made available to the States on account of Wealth Tax on agricultural property.

The Commission may make an assessment of the non-Plan capital gap of the States on a uniform and comparable basis for the five years ending with 1978-79. In the light of such an assessment, the Commission may undertake a general review of the States' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and suggest changes in the existing terms of repayment having regard inter alia to the overall non-Plan gap of the States, their relative position and the purposes for which the loans have been utilised, and the requirements of the Centre.

The Commission may review the policy and arrangements in regard to the financing of relief expenditure by the States affected by natural calamities and examine inter alia the feasibility of establishing a National Fund to which the Central and State Governments may contribute a percentage

of their revenue receipts.

The Commission in making its recommendations on the various matters aforesaid shall have regard to the resources of the Central Government and the demands thereon on account of the expenditure on civil administration, defence and border security, debt servicing and other committed expenditure or liabilities.

## CONTENTS

### Introduction

Union-State Financial Relations: Our approach; Income Tax; Union Excise Duties; Additional Duties of Excise; Grant in lieu of Tax on Railway Passenger Fares; Estate Duty; Grant on account of Wealth Tax on Agricultural Property; Reassessment of the forecasts of State Governments for the period 1974-75 to 1978-79—certain general issues; Revision of Pay and Dearness Allowance of Employees of State Governments; Norms for maintenance of capital assets and Plan Schemes; Upgradation of standards of administration in backward States; Fiscal Management; Financing of relief expenditure; Grants-in-aid; Assessment of non-Plan capital gap of States; Revision of terms of repayment of outstanding Central loans to the States; Summary of Recommendations; Appendices; Data Relating to Debt Position of States.

## RECOMMENDATIONS

### Income-Tax

In respect of distribution of the net proceeds of income-tax in each of the financial years from 1974-75 to 1978-79:

1. out of the net proceeds of taxes on income in each financial year, a sum equal to 1.79 per cent thereof be deemed to represent the proceeds of attributable to Union Territories;

2. the percentage of the net proceeds of taxes on income, except the portion representing the proceeds attributable to Union Territories, to be assigned to the States, should be eighty;

3. the distribution among the States inter se of the share assigned to the States in respect of each financial year should be on the basis of the following percentages:

State	Percentage
1. Andhra Pradesh	7.76
2. Assam	2.54
3. Bihar	9.61
4. Gujarat	5.55
5. Haryana	1.77
6. Himachal Pradesh	0.60
7. Jammu & Kashmir	0.81
8. Karnataka	5.33
9. Kerala	3.92
10. Madhya Pradesh	7.30
11. Maharashtra	11.05
12. Manipur	0.18
13. Meghalaya	0.18
14. Nagaland	0.09
15. Orissa	3.73

16.	Punjab	2.75
17.	Rajasthan	4.50
18.	Tamil Nadu	7.94
19.	Tripura	0.27
20.	Uttar Pradesh	15.23
21.	West Bengal	8.89
Total		100.00

#### Union Excise Duties

(a) During each of the years 1974-75 and 1975-76 a sum equivalent to 20 (twenty) per cent of the net proceeds of Union duties of excise on all articles levied and collected in that year, excluding auxiliary duties of excise and cesses levied, under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States.

(b) during the years 1976-77, 1977-78 and 1978-79 sum equivalent to 20 (twenty) per cent of the net proceeds of Union duties of excise on all articles levied and collected in the respective year, including auxiliary duties of excise, but excluding cesses levied under special Acts and earmarked for special purposes, should be paid out of the Consolidated Fund of India to the States.

(c) the distribution among the States of the sum payable to the States in respect of each financial year should be made on the basis of the following percentages:

State	Percentage
1. Andhra Pradesh	8.16
2. Assam	2.71
3. Bihar	11.47
4. Gujarat	4.57
5. Haryana	1.53
6. Himachal Pradesh	0.63
7. Jammu & Kashmir	0.90
8. Karnataka	5.45
9. Kerala	3.86
10. Madhya Pradesh	8.15
11. Maharashtra	8.58
12. Manipur	0.21
13. Meghalaya	0.19
14. Nagaland	0.11
15. Orissa	4.06
16. Punjab	1.87
17. Rajasthan	5.00
18. Tamil Nadu	7.43
19. Tripura	0.30
20. Uttar Pradesh	17.03
21. West Bengal	7.79
Total	100.00

#### Additional Duties of Excise

(1) There is no need to set apart any guaranteed amounts to the States as in our opinion there is no risk of the share of any State in the net proceeds of additional excise duties falling short of the revenue realised from the levy of the sales tax on the commodities subject to additional duties

of excise in lieu of sales tax for the financial year 1956-57 in that State;

(2) the net proceeds of the additional excise duties during each financial year be distributed on the following basis:

(a) a sum equal to 1.41 per cent of such net proceeds be retained by the Union as attributable to Union Territories;

(b) the balance of 98.59 per cent of such net proceeds be distributed among the States in accordance with their respective percentage shares of such balance as under:

State	Percentage of distribution
1. Andhra Pradesh	8.39
2. Assam	2.47
3. Bihar	9.36
4. Gujarat	5.91
5. Haryana	1.94
6. Himachal Pradesh	0.59
7. Jammu & Kashmir	0.73
8. Karnataka	5.62
9. Kerala	3.58
10. Madhya Pradesh	6.98
11. Maharashtra	11.65
12. Manipur	0.17
13. Meghalaya	0.17
14. Nagaland	0.08
15. Orissa	3.59
16. Punjab	2.68
17. Rajasthan	4.17
18. Tamil Nadu	7.27
19. Tripura	0.25
20. Uttar Pradesh	16.10
21. West Bengal	8.30
Total	100.00

#### Grant in lieu of tax on Railway Passenger

##### Fares

The grant to be made available to the States in lieu of tax under the repealed Railway Passenger Fares Tax Act, 1957 be distributed among the states as under:

State Share	Percentage
1. Andhra Pradesh	8.01
2. Assam	2.70
3. Bihar	10.58
4. Gujarat	7.47
5. Haryana	2.57
6. Himachal Pradesh	0.17
7. Jammu & Kashmir	0.02
8. Karnataka	3.47
9. Kerala	1.61
10. Madhya Pradesh	9.89
11. Maharashtra	8.87
12. Manipur	0.0
13. Meghalaya	0.0
14. Nagaland	0.01

15. Orissa	2.24
16. Punjab	5.06
17. Rajasthan	6.59
18. Tamil Nadu	5.14
19. Tripura	0.02
20. Uttar Pradesh	19.85
21. West Bengal	5.73

Total 100.00

#### Estate Duty

(1) Out of the net proceeds of the estate duty in each financial year, a sum equal to 2.5 per cent thereof be retained by the Union as being the proceeds attributable to Union Territories; and

(2) the balance of net proceeds be distributed among the States in accordance with the following principles:

(a) such balance be first apportioned between immovable property and other property in the ratio of the gross value of all such properties brought into assessment in that year;

(b) the sum thus apportioned to immovable property be distributed among the States in proportion to the gross value of the immovable property located in each State and brought into assessment in that year; and

(c) the sum apportioned to property other than immovable property be distributed among the states in proportion to the population of each State, namely:

State	Percentage
1. Andhra Pradesh	8.04
2. Assam	2.70

3. Bihar	10.41
4. Gujarat	4.93
5. Haryana	1.86
6. Himachal Pradesh	0.64
7. Jammu & Kashmir	0.85
8. Karnataka	5.41
9. Kerala	3.94
10. Madhya Pradesh	7.70
11. Maharashtra	9.31
12. Manipur	0.20
13. Meghalaya	0.19
14. Nagaland	0.10
15. Orissa	4.05
16. Punjab	2.50
17. Rajasthan	4.76
18. Tamil Nadu	7.61
19. Tripura	0.29
20. Uttar Pradesh	16.32
21. West Bengal	8.19

Total 100.00

#### Grant on account of Wealth Tax on agricultural property

The grant to be made available to the States be distributed among the States in proportion to the value of agricultural property located in each State and brought into assessment in each year.

#### Grants-in-aid

The following States be paid the sums specified against each of them as grants-in-aid of their revenues in the respective years indicated in the table below, under the substantive part of clause (1) of Article 275 of the Constitution:

State	Total amount to be paid in five years	Grants-in-aid to be paid on				
		1974-75	1975-76	1976-77	1977-78	1978-79
1. Andhra Pradesh	205.93	42.83	43.47	41.89	39.45	38.29
2. Assam	254.53	49.66	51.33	50.60	51.35	51.59
3. Bihar	106.28	18.78	23.92	21.12	21.53	20.93
4. Himachal Pradesh	160.96	31.72	32.02	32.15	32.42	32.65
5. Jammu & Kashmir	173.49	34.57	34.65	34.73	34.83	34.71
6. Kerala	208.93	43.85	43.46	41.19	40.92	39.51
7. Manipur	114.53	21.05	21.97	22.85	23.84	24.82
8. Meghalaya	74.67	13.61	14.23	14.90	15.63	16.30
9. Nagaland	128.84	23.77	24.68	25.72	26.77	27.90
10. Orissa	304.73	56.97	60.11	61.00	62.56	64.09
11. Rajasthan	230.53	49.30	48.57	46.05	44.30	42.31
12. Tripura	112.50	20.66	21.53	22.44	23.45	24.42
13. Uttar Pradesh	198.83	21.61	33.91	39.23	49.10	54.98
14. West Bengal	234.86	53.29	49.27	46.57	44.55	41.18
Total	2509.61	481.67	503.12	500.44	510.70	513.68

#### Recommendations on other Terms of Reference

##### I. Financing of Relief Expenditure

In the light of our analysis of the advantages and disadvantages of the establishment of a National Fund, and the views expressed by the State Governments we have con-

cluded that the establishment of a National Fund, fed by Central and State contributions, is neither feasible nor desirable. At the same time the present arrangements for providing assistance to the States for meeting expenditure on relief operations need to be completely overhauled. Detailed programmes of both medium and long term significance for permanent improvement of the areas liable to drought and

flood should be drawn up with the utmost urgency and these programmes fully integrated with the Plan. We strongly urge that instead of incurring expenditure on relief on ad hoc basis on schemes of dubious value, provision should be made on a much larger scale for development of drought and flood-prone areas in the Fifth Plan both in the State and Central sectors. Any assistance which is provided to the states for purposes of relief in this manner would be subject to the overall ceiling of Central assistance for the Plan period as a whole. At the same time we feel that the provision of a reasonable margin in the forecasts of state expenditure should be considered as a legitimate charge on the revenue accounts of the States. We recommend the following annual provisions under "64-Famine Relief" for different states.

State	(Rs. Crores)
1. Andhra Pradesh	4.31
2. Assam	1.25
3. Bihar	4.61
4. Gujarat	4.55
5. Haryana	1.24
6. Himachal Pradesh	0.03
7. Jammu & Kashmir	0.35
8. Karnataka	1.91
9. Kerala	0.30
10. Madhya Pradesh	3.41
11. Maharashtra	4.17
12. Manipur	0.04
13. Meghalaya	0.04
14. Nagaland	0.02
15. Orissa	3.58
16. Punjab	0.33
17. Rajasthan	10.19
18. Tamil Nadu	1.52
19. Tripura	0.07
20. Uttar Pradesh	2.18
21. West Bengal	6.61

We have taken these figures into account in arriving at the grants, if any, needed by the States under Article 275 of the Constitution.

## II. Changes in the terms of repayment of Central Loans

We have made an assessment of the non-Plan capital gap of the States on uniform and comparable basis for the five years ending with 1978-79. The methodology adopted by us and the state-wise non-Plan capital gaps as assessed by us are indicated in Chapter XVI. In the light of this assessment, we have made a general review of the states' debt position with particular reference to the Central loans advanced to them and likely to be outstanding as at the end of 1973-74 and have recommended changes in the existing terms of repayment having regard to all relevant factors including the overall non-Plan gap of the States, their relative position, the purposes for which the loans have been utilised and the requirements of the Centre. Our proposals for consolidation of outstanding Central loans and revision of their terms of repayment are estimated to ensure relief in the amount falling due for repayment by the States to the Centre over the period 1974-79 as under:

State Estimated relief in repayment of loans to Government of India during Fifth Plan period on the basis of our proposals

1. Andhra Pradesh	191.20
2. Assam	162.49
3. Bihar	133.35
4. Gujarat	36.25
5. Haryana	33.14
6. Himachal Pradesh	34.57
7. Jammu & Kashmir	133.43
8. Karnataka	127.04
9. Kerala	109.77
10. Madhya Pradesh	87.16
11. Maharashtra	66.58
12. Manipur	15.23
13. Meghalaya	7.64
14. Nagaland	5.84
15. Orissa	157.32
16. Punjab	15.18
17. Rajasthan	258.14
18. Tamil Nadu	87.05
19. Tripura	14.35
20. Uttar Pradesh	150.77
21. West Bengal	143.12
Total	1969.62

# COMMITTEE ON THE DEVELOPMENT OF LEATHER AND LEATHER MANUFACTURES FOR EXPORTS, 1972. Report, Delhi, Manager of Publications, 1973. 176p + iip + iiip.

**Chairman:** Dr. A. Seetharamiah.  
**Members:** Sh. T. Abdul Wahid; Sh. H.S. Sandhu; Sh. A. Subramaniam; Sh. A. Naggappa Chettiar; Sh. J. Ghosh; Sh. Sanjoy Sen; Sh. V.P. Pandit; Sh. S. Raja; Sh. P.S. Venkatachalam; Sh. R. Thanjan.  
**Assistant Secretary:** Shri Sudershan Singh.  
**Secretary:** Shri Yoginder Raj.

## APPOINTMENT

A Committee to study the development of leather and leather manufactures for export purposes and steps to be taken for speedier switch-over of exports from semi-processed hides and skins to finished leather and leather manufactures was set up by the Government of India, Ministry of Foreign Trade on 6th July, 1972.

## TERMS OF REFERENCE

While asking the Committee to make a comprehensive study of the question of promoting Indian exports of leather manufactures, Government have required them to make recommendations in particular on the following:

1. To examine the necessity of reducing the export of E.I. tanned and chrome tanned hides and skins.
2. To suggest measures for speedier switch-over of exports from semi-processed hides and skins to finished leather and leather manufactures.
3. To consider the impact of export ceiling on short-term and long-term earnings of foreign exchange.
4. To examine whether the exemption of the tanning industry from the provisions of Section IIA of I(D & R) Act will help in increasing exports.
5. To identify the steps to be taken for the mechanisation of the leather industry for increasing export production.
6. Any other relevant matter connected with the export of leather and leather manufactures.

## CONTENTS

Introduction Summary of the Recommendations; Availability of Hides and Skins; Exports of Leather and Leather Manufactures; General Scheme of Preferences (GSP) and the Leather Trade; Measures suggested for Speedier Switchover of Exports from semi-processed Hides and Skins to Finished Leather and Leather Manufactures; Infrastructure Required for Increasing Exports of Finished

Leather; Appendices and Annexures.

## RECOMMENDATIONS

**Export Duty** A 10% duty may be levied on the exports of E.I. tanned and chrome tanned hides (unfinished) w.e.f. 1st January, 1973 and even a higher level of export duty on these items could perhaps be considered.

## Export Restrictions

The export of semi-processed hides and skins such as E.I. tanned and chrome tanned, cow hides, buffalo hides, cow calf, buffalo calf, goat and sheep skins may be brought under quota system as has been done in the case of export of raw goat skins so that the quantum of export of each item does not exceed the level of exports of 1971-72 to begin with which could be reduced progressively. In order to safeguard the interests of small manufacturers and exporters, a minimum quota may be fixed, the quantum and details of which may be worked out by the Government.

## Ban on Exports of Raw Hides and Skins

The exports of all types of raw hides and skins except lamb-fur skins may be banned w.e.f. 1st January, 1973.

## Creation of Infrastructure

Finishing centres may be set up especially in areas where there is a concentration of small scale tanners by the existing Tanners Export Promotion Councils, State Industrial Development Corporations, etc.

New entrepreneurs may be encouraged to set up finishing units on condition that they would start from the stage of E.I. or wet blue leather. In case of foreign companies, larger industrial houses, etc., and in cases involving foreign collaboration, guarantee to exports a considerable portion of the production should be stipulated.

The Committee has estimated that for conversion of 25% of E.I. tanned and chrome tanned leather (unfinished) exported in 1971-72 to finished leathers, 26 units are to be set up with a total investment of Rs. 20 crores including machinery valued at Rs. 4 crores out of which machineries worth Rs. 3 crores are to be imported. It is estimated that the additional foreign exchange earnings would be about Rs. 31 crores. If a portion of this finished leather is further converted to footwear and other leather goods, the foreign ex-



change earnings would be still higher.  
**Setting-up of New Units**

Public Notice may be issued by the Government inviting fresh applications for setting up of units for production of finished leather based on E.I. tanned and chrome tanned leather as raw-materials. In case of applications from large industrial houses, and in cases involving foreign collaborations, a substantial export obligation may be prescribed.

#### **Cash Subsidy**

Cash subsidy to the extent of 15% may be given against the exports of finished leather and leather manufactures only for the purpose of building up of the infrastructure i.e. land, buildings, and machinery which may be accumulated over a period of 5 years and disbursed after producing documentary evidence of the steps taken for putting up the necessary infrastructure for modernisation, balancing and authorised expansions.

In case of exporters taking loans or who have already taken loans for setting up of the infrastructure from the nationalised banks or any other financial institutions, the cash subsidy may be disbursed/adjusted against such loans.

#### **Provision in the Trade Plans**

While negotiating trade plans with various countries especially with the East European countries, increased provision may be made for the exports of finished leather and leather manufactures reducing the quantities of E.I. and chrome tanned leathers. They may be persuaded to take at least 25% of their requirements as finished leather reducing the export of semi-finished leather to this extent to start with. The exports of semi-finished leather are to be progressively reduced and that of finished leather correspondingly increased over the next few years.

#### **Import Replenishment**

The import replenishment for exports of E.I. tanned leather may be restored to 3% and that for wet blue chrome leather be reduced from 6% to 3% with a compulsory provision that 50% of the replenishment could only be utilised for the import of machinery, tools and equipments for balancing, modernisation and authorised expansions and this portion should not be allowed to be nominated in favour of other manufacturers. In cases where the exporters desire to import machinery for more than 50% of the import replenishment, such request may be considered by the Government liberally on merits.

#### **Export Policies**

The change in export policies may be effected from the beginning of the calendar year/financial year depending upon the prevailing circumstances/situations and the export policy should remain steady over a long period of time.

#### **Air-Freight Subsidy**

The air-freight subsidy for leather foot-wear may be raised from the present level of 10% to 15% of the FOB value of exports as in the case of finished leather. This subsidy may be allowed irrespective of whether the freight is paid in India by an exporter or abroad by an importer.

#### **Import Duty on Pickled Skins**

The import duty on pickled sheep skins may be abolished immediately so as to enable the manufacturers to import the same for export production.

#### **Excise Duty on Leather Footwear**

Excise duty on leather footwear manufactured in the small scale units, i.e., units having machineries valued less than Rs. 7.5 lakhs may be abolished immediately.

#### **Research, Development and Extension**

The leather and leather goods industries may be given the opinion to spend a small percentage of their annual turnover on Research and Development or to pay a small cess for purpose of research development and extension services.

#### **Exemption from Section IIA of the Industries (D & R) Act**

Manufacture of leather may not be exempted from section IIA of the Industries (D & R) Act in order to avoid increase in capacity of semi-finished hides and skins only and also exaggerated claim regarding the capacity for finished leather.

#### **Role of Export Promotion Councils**

The Export Promotion Councils at Madras and Kanpur may be merged to form a new Export Promotion Council with its Headquarters at Delhi and branches at Madras, Kanpur, Bombay, Calcutta to start with for leather and leather manufactures. A committee may be set up by the Ministry of Foreign Trade to draw up the constitution, the memorandum and articles of associations, etc. of the proposed new/enlarged Export Promotion Council for leather and leather manufactures.

# INDIA, TECHNICAL COMMITTEE SET UP TO INVESTIGATE THE REASONS FOR HIGH ARISING OF DEFECTIVES, SCRAP ETC.

## IN THE STEEL PLANTS, 1972

Report, New Delhi, Ministry of Steel and Mines, Department of Steel, 1973. 53p., charts.

Chairman: Shri Hari Bhushan.

Members: Dr. S.R. Pramanik; Shri P. Majumdar.

### APPOINTMENT

In their 20th report on Ministry of Steel and Mines (Department of Steel) —Planning, Development, Production and Distribution of Iron and Steel and Ferro-Alloys, the Estimates Committee have observed that they are concerned to note that, in 1970-71, 12.6% of the total production of Indian Iron and Steel Company was classified as "Defectives" and 10.2% of the total finished steel production of Durgapur Steel Plant was classified as 'Scrap'. The Committee are of the view that this percentage is on the high side especially in the context of the acute shortages of steel being felt all over the country. As the higher percentage of 'scrap' and 'defectives' etc. ultimately results in higher cost of production in the steel plant, the Committee have urged that Government should impress upon the Steel Plants the need to make concerted efforts to reduce this percentage to the minimum possible. The Committee have also recommended that Government may get the matter examined by a higher-powered independent technical committee to find out the precise reasons for such high percentage of production in various steel plants being classified as 'defectives', 'cuttings', 'rejects' and 'scrap' and suggest remedial measures for improving the performance.

Government have accepted recommendations of the Estimates Committee and have accordingly decided to appoint a Technical Committee. Therefore, the Ministry of Steel and Mines (Department of Steel) appointed the Technical Committee to investigate the reasons for High Arising of Defectives, scrap etc. in the Steel Plants Vide their Resolution No. DUR-18(5)/72 dated the 1st August, 1972.

### TERMS OF REFERENCE

(i) To investigate the reasons for high arising of defectives, rejects and scrap in the rolling mills in the steel plants; and

(ii) to suggest measures to remedy this situation.

### CONTENTS

#### Introduction

General; Defectives and Scrap Arisings at Indian Iron and Steel Co.; Arisings of Scrap and Defectives in Durgapur Steel Plant during 1970-71; Defectives and Scrap Arising at Tata Iron & Steel Co., Rourkela Steel Plant and Bhilai Steel Plant; Conclusions and recommendations; Annexures from I to V-13.

### RECOMMENDATIONS

Unplanned interruptions in steel plant operations, apart from leading to loss in production and possible damage to the plant and equipments, have greatest impact on the yield

of saleable products and product quality.

The Committee recommends that the Government and the Steel Plant managements take all possible steps to run the plants without any unplanned interruptions and restore the working to capacity levels. It is working to capacity level which would generate the optimum level of discipline and coordination, result in proper flow of material and energy and heat balance which would have a marked all round improvement in yields, arising of defectives, scrap etc.

Stocking of ingots and semis for long periods in the stockyards leads to rusting and pitting, which, on further processing, yield higher percentage of defectives and scrap. Charging cold ingots also leads to higher arisings of defectives and scrap.

It is recommended that the steel plants in general and the Durgapur Steel Plant in particular should take effective steps to liquidate their stocks of ingots and semis. The current arisings should be processed into finished products expeditiously and ingots and semis should not be allowed to be stored in the stockyard over long periods. If these materials cannot be processed immediately, the steel plants might consider selling out these products instead of storing over long periods.

Mix up of ingots/semis leads to high arisings of off-grades. Proper maintenance and the retention of identification of ingots/semis/finished products should be carefully attended to by improved marking/remarking methods or by hot stamping techniques.

ISI may consider evolving a suitable standard for commercial grade steel products produced from ingots/semis whose cast identity has been lost, but by individual sampling or other methods, could be categorised into certain analysis groups.

Frequent mutual consultations amongst steel plants would help them improve production and maintenance techniques and achieve higher technological disciplines.

It is recommended that suitable technical liaison committees consisting of members from all the main steel plants should be set up which should meet periodically for exchange of views. Each main production may have separate committees.

Steel plants should make continuous efforts to bring down arisings of defectives and scrap at each process stage by enforcing higher level of technological disciplines and frequent review of actual performance and take remedial measures where necessary.

In Bhilai Steel Plant bulk of the rejections have been due to running stopper teaming of ingots. This should be remedied by using better refractories and practices. The conditioning of rail blooms should be intensified and more rigorous quality control and inspection should be undertaken to reduce the arisings of untested/off-grade arising of rails.

# NATIONAL COMMITTEE ON 10 + 2 + 3 EDUCATIONAL STRUCTURE, 1972.

## Report, New Delhi, Ministry of Education and Social Welfare, 1973. 136,2,6,6,8,1,3,5,10p.

Chairman: Dr. P.D. Shukla.

Members: Shri R.C. Pant, Shri Mohindar Singh; Shri D.K. Guha; Shri K. Diravian; Shri A.K. Chowdhury; Shri Samuel Appaji; Shri A.H. Hemrajani retired (and Dr. T.N. Dhar was appointed in his place); Smt. S.L. Singla (in place of Shri S.M. Dudani); Shri K.K. Srivastava (in place of Shri D.S. Misra).

Member Secretary : Shri R.P. Singhal.

### APPOINTMENT

In keeping with the recommendations of the Education Commission (1964-74) and the National Policy on Education (1968) it is now proposed to adopt the uniform pattern of 10 + 2 + 3 for school and college classes in all States and Union Territories. In order to suggest the practical steps to be taken to implement this decision, with estimates of cost, the Ministry of Education and Social Welfare constituted a National Committee to suggest the practical steps to be taken for the implementation of the uniform pattern of 10+2+3 Educational Structure Vide D.O. Letter No.1-8/72/PR-II dated August 20, 1972.

### TERMS OF REFERENCE

(i) To suggest practical steps to be taken for implementation of the uniform pattern of 10+2+3 for the school and college classes in all States and Union Territories of the country.

(ii) To estimate the cost of implementing the programme.

### CONTENTS

#### Introduction

Existing structures in States/Union territories; Vocationalization of Education; Location of the new classes XI & XII; Teachers and their training; Other practical measures; Financial implications; Summary of Observations, Conclusions and Recommendations; Appendices from I to VIII.

### RECOMMENDATIONS

#### Philosophy of Purpose

We have taken note of the recommendations of the Education Commission (1966), the National Policy Statement on Education issued by the Government of India (1968) and the subsequent resolutions passed by the Central Advisory Board of Education and several other All-India bodies,

everyone of which favoured the introduction of the broadly uniform educational structure of 10+2+3 in all parts of the country.

We have, however, emphasized that the introduction of the proposed structure all over the country will strengthen national integration. It will send more knowledgeable and maturer students to the universities, will provide an opportunity and a means to introduce appropriate vocationalization of higher secondary education and will reduce pressure on admission to universities and other centres of higher education. It will facilitate implementation of various educational programmes, production of books and reading materials and teaching aids, training of teachers and their movement, reconstruction and modernization of syllabi, and improvement of examination practices. It will remove difficulties in the matter of education of children of the mobile population which is continuously increasing. It will facilitate solution of the educational problems of minorities in various states. It will contribute to raise the general standard and quality of education at all stages - school and university.

#### Statewise Position

We have noted that the States of Andhra Pradesh, Kerala and Mysore have already introduced the proposed structure, that Assam, Gujarat and Maharashtra have introduced in their school classes a new syllabus for the same purpose, that the school structure in U.P. is already 10+2, and that West Bengal has decided to change the existing pattern to 10+2 from 1st January-1974. We have also noted that the Central Board of Secondary Education whose member-schools include all Govt. and aided schools of Delhi and most of the Union Territories, all Kendriya Vidyalayas (Central Schools), all Sainik schools and a good number of Public, convent and other all-India schools has also planned to adopt the same structure from 1st May, 1974. We have further noted that in so far as the other States are concerned, the new structure has generally been accepted in principle and the same is being further processed.

#### Curriculum Reconstruction

The new educational structure does not envisage more addition of one year to the total period of education or taking away of one class from the collegiate stage to school education or vice-versa. The opportunity of restructuring should be duly utilized by completely reorganizing the curriculum and raising the standard of education at all stages so as to make it internationally comparable. The curriculum should also be in accordance with the current needs of

society, allow mobility of children from one State or Union Territory to another and help national integration.

In order to provide for a broad uniformity in the curriculum and keep the standard of education as high as possible, we have provided some guidelines and a scheme of studies with the help of which preparation of details of the course-content should be undertaken in various States by the concerned Boards of Education or other expert bodies set up by the State Governments or Territory Administrations.

### Elementary Stage

The curriculum for classes I to VIII as developed by the National Council of Educational Research & Training should be adopted all over the country with suitable modifications to suit local requirements particularly in the lower classes. Apart from the purely academic subjects, work-experience and physical and moral education should form an integral part of the school programme at this stage and be compulsory for all studies.

About 15% of school time should be rationally demarcated for work experience, about 10% for physical education and about 5% for moral education.

### Secondary Stage

The new classes IX & X should provide for a good course of general education. This is too early a stage for any specialization. The curriculum should, therefore, include compulsory teaching of Language(s), Modern Mathematics, Sciences, Social Sciences, Moral Education, Physical Education, and Craft and/or Trade. The curriculum should, in addition, provide for one optional subject out of the usual academic and practical subjects relevant to this stage of education.

The purpose of the revised uniform structure will be served only if the standard of education is kept as high as possible. The minimum to be covered by the end of new class X should be the syllabus for classes IX & X in the respective subjects prescribed under the existing higher secondary syllabus of the Central Board of Secondary Education.

Each school should work for a minimum of 220 days and 1200 hours of instruction in each year.

We have given an illustrative list of crafts for classes IX & X. These can be supplemented before any one craft is chosen for a school or for a group of students in a school.

### Higher Secondary Stage

The curriculum of the new classes XI & XII should be built on the latest curriculum for the new classes IX & X and should provide for two streams, i.e.

- (i) Academic Stream
- (ii) Vocational Stream.

#### Academic Stream

The objective of the academic stream is to prepare the student for university or higher education, if he wants to avail himself of such education. Higher education, in this context, covers both general education and professional education

like Engineering and Medicine.

The curriculum of the academic stream should provide for teaching in five subjects. One of these should be Language & Literature from among the regional language(s), English and mother tongue, greater weightage being given to the language part. The other four subjects should be chosen out of a list of the available academic and practical subjects relevant to this stage of education.

It is desirable to permit students of the academic stream to choose any four subjects as electives. However, taking into consideration the limitations of practicability and the usual rules of admission of the Indian universities, the electives may be grouped in appropriate combinations.

Every student of the academic stream should participate, on a compulsory basis, in at least one of the co-curricular activities viz. N.C.C., N.S.C., Physical Education, and Social and Community Service.

A provision at this stage should be made for teaching many of the academic subjects at two levels, advanced and ordinary. It is visualised that the students planning to specialize in a particular academic subject at the university or higher education level should start studying that subject in depth from the new higher secondary stage itself, and others may offer the same subject at the ordinary level.

The minimum standard to be achieved at the end of new class XII should be the standard of existing 11-year Higher Secondary syllabus of the Central Board of Secondary Education further raised by the studies equal to one year.

#### Vocational Stream

Vocationalization of higher secondary education should be considered to be an essential ingredient of the proposed structure.

The vocational stream at the higher secondary stage should be taken to supplement the existing facilities for vocational education provided by the ITIs, Polytechnics, and vocational schools.

The vocational stream should provide specific job-oriented courses in one vocation carefully chosen out of the areas of work relating to agriculture, industry, trade and commerce, public services (e.g. secretariat, paramedical, insurance, banking, marketing), education etc.

The period of a particular vocational course may vary from 1 to 3 years depending upon the requirements of that course.

The course-content, including the training and practical work, should be such as to equip the student well to get a job or to establish himself as a self-employed person depending upon his choice and circumstances.

While vocational stream at the higher secondary stage should concentrate on courses of non-engineering character, a few of these courses could also be chosen from out of those already introduced in the general polytechnics, women's polytechnics, the proposed agricultural polytechnics, and the equivalent vocational institutions, provided that such courses indicate enough work-potential. It is financially, socially and educationally better to introduce such courses in the institutions of general education than to open additional polytechnics for them. Un-necessary duplication should, however, be avoided.

The particular vocational courses to be introduced in any

institution of higher secondary level should be locality-oriented. As such, there cannot be a common list of courses for the whole country. It may even vary to some extent from region to region within the same state.

The section of a particular vocational course should be determined on the basis of a demand survey to find out the potential for work opportunity in the neighbourhood of the school or the region in which it is located.

#### List of Vocational Courses

We have given a list of vocational courses considered suitable for the new higher secondary stage. This list is, however, illustrative only. It is not even suggestive, nothing to say of its being exhaustive.

#### Course-Content of a Vocational Subject

The course-content of each vocational subject should include the relevant theoretical knowledge of the allied branches on the academic side. While all such knowledge is to be given, the subject should not be over-loaded with the same, for the emphasis here should be on job-preparedness and not academic instruction.

Every student of the vocational stream should be taught at least one language and its literature. This could be out of the regional languages, English, and Hindi, greater weightage being given to the language part.

#### Collaboration with Prospective Employers

For the success of the vocational stream it is highly desirable for each institution to make a collaborative arrangement with the concerned establishment (factory, concern, office, hospital, bank, company, hotel etc.) in the region in terms of syllabus making, instructional work, practical training and internship.

The concerned establishment(s) should agree to accept selected students of the particular vocational course as internees under the Apprenticeship Act of 1961 or otherwise with the proviso that if their work is satisfactory, they will be given regular appointments.

#### Education as a Vocational Subject

Education as a vocational course should be planned to be an alternative channel to train primary school teachers. In addition to training in methodology etc., each prospective teacher should be helped to improve his knowledge of the subjects which he has to teach in the primary schools. He should also be given a more broadbased professional training with knowledge of syllabus-making, book-review, supervision of primary education etc.

#### Syllabus Formulation

We have given, as an example, the pattern of syllabus for one vocational course, namely Principles and Practice of Trade and Commerce.

#### Characteristics of Vocational Training

We have noted that the vocational training provided in

the Higher Secondary Schools and other vocational institutions should fulfil certain specified requirements. These have been indicated.

#### Vocational Guidance

For effective vocationalization of higher secondary education, some reorganization and strengthening of the existing educational and vocational guidance service in educational institutions should be made. The counsellors, Career-masters etc., should help the pupils in the choice of the stream and the particular subject(s) at the time of admission to the new class XI. They should also build up a clearing house unit in their institutions and guide and help the students in finding opportunities for work or employment or further training, as the case may be.

#### Review of Multipurpose Schools etc.

The instruction given in the multipurpose, post-basic, Technical High, Junior Technical schools etc., should be reviewed. They should be reorganized to fall in line with the 10+2 pattern. Some of them with better facilities of workshop or farm etc. should be preferred for the introduction of the proposed vocationalization at the higher secondary stage of education.

#### Area Skill Survey

The Directorate General of Employment and Training in the Union Ministry of Education and Rehabilitation has undertaken to conduct, on a pilot basis, area skill surveys of 21 districts in the country. The reports of such surveys relating to three districts are available. Each of these reports has inter alia indicated the number of additional hands needed in the respective districts in specific occupations by 1977, as also the scope for additional numbers to be self-employed within the districts.

The authorities in charge of vocationalization of higher secondary in the States should take advantage of such reports. They should take note of the additional man-power needed in either the area of service or in that of self-employment, particularly in the non-engineering trades, and evaluate its implication in the context of the existing facilities for training and the possibilities of expanding them in the concerned districts. For the balance of man-power needed, they should take up the question of vocational courses in one or more higher secondary institutions of the district.

#### Work Opportunities

We have listed for some illustrative vocational courses the likely jobs to be available, the promotion posts to be looked for, and the possible areas of self-employment with respect to those pupils who successfully complete the relevant course.

#### Employment of Vocationally Trained Persons

Admission to a vocational course at the higher secondary stage should not be taken to be a guarantee for a job, for this

will also depend upon the expansion of work-opportunities in the country. But most of the successful leavers of a vocational course will certainly be better placed for work or employment than if they had continued to receive general education of the academic type.

#### **Change over from Vocational Stream to Academic Stream and vice versa**

The vocational stream must not be understood to mean that the student has entered a blind alley. Therefore, facilities should be provided for change over from vocational stream to academic stream and vice versa.

It will be appropriate to divide the syllabi of the academic and the vocational subjects into units and permit the student to carry over the relevant credit earned by him to the new stream.

In case the student is unable to conduct a whole-time study for the purpose of change-over, he should be allowed to pursue a part-time course, which may be of somewhat longer durations. Those in employment should be allowed some exemption, if the employment is relevant to their vocational studies.

While fairly stout bridges should be built linking the vocational and academic streams, it is better to introduce some control in the flow of traffic between the two streams and to interweave this control in the scheme itself.

#### **Inspection, Supervision and Direction**

The existing state-level machinery for inspection, supervision and direction of the educational institutions will need to be strengthened to meet the special requirements of the vocational stream. A small pool of supervisors relevant to the particular vocational courses introduced in the state may be appointed at the head-quarters by the Board of Higher Secondary and Vocational Education or the State Government as the case may be.

A special unit manned by specially qualified personnel and headed by an Additional or Joint Director of Vocational Education should be set up in each department of education. This unit should incorporate a permanent machinery for continuous demand analysis (vocational survey) for work potential and jobs in the region. In course of time, a separate Directorate of Vocational Education may be set up in each State. For day to day supervision and administration of the institution, where vocational stream has been introduced, the Principal or Vice-principal must belong to the area of vocational courses.

#### **Coordination Between Education & Training**

In the modern world, distinction between the academic studies and the training for skills has broken down. Because of this and other considerations we have made a number of suggestions for coordination and cooperation between organizations concerned with general education, technical education, and training of industrial workers. A similar system of coordination and cooperation with other programmes of training (and general education) should also be possible.

#### **Examinations**

There should be a public examination at the end of class

X and another at the end of class XII or at the completion of the vocational course.

In the examination at the end of class X, subjects of Moral Education, Physical Education and Craft or Trade, need not be examined externally.

#### **Quality of Question Papers**

Very special efforts should be made to improve the quality of the questionpapers in order to improve the quality of the written examination.

#### **Practical Examination**

In the same examination in science subjects, provisions should be made for a practical test besides the theory papers. The practical examination should include a viva voce, and passing in the practical examination should be obligatory on the part of every student. Project work in science should be encouraged.

#### **Oral Examination**

In the examination in languages, particularly in the home examinations, provision should be made for an oral test.

#### **Agency of examination**

For practical and administrative considerations, it is desirable to make the State Board of Higher Secondary & Vocational Education (by whatever name it is called) to be responsible for conducting public examinations for both the academic and the vocational streams.

The arrangement for the conduct of examination of the pupils of ITIs and Polytechnics may continue as at present.

#### **Equivalence of Diplomas/Certificates**

The equivalence of diplomas/certificates in the same vocational subject whether issued by the State Board of Higher Secondary & Vocational Education or by some other organisation, is most essential from the point of view of both the students and the employers.

#### **Internal Assessment**

The new scheme should provide for a continuous internal assessment throughout the course of studies. The marks of the students after moderation, wherever necessary, should be incorporated in the Board's certificate in a separate column parallel to the one in which the result of the examination is given under the existing practice.

The result of internal assessment should be expressed in terms of Grades on a five-point scale.

As regards the vocational stream, bearing in mind its special requirements, an appropriate scheme of examination will have to be formulated by respective Boards of Higher Secondary & Vocational Education. A scheme of continuous internal assessment of each student of the vocational stream similar to the one for the academic stream should be prepared and incorporated in the scheme of examination.

## Single subject examination

Facilities should be provided in classes XI and XII to enable the students to prepare and pass the examination in one or more subjects at one time. It will help the concerned student to pursue the study of only that subject in which he is interested, reduce wastage and stagnation, and help him to change over from one stream to another at any time by offering that subject which he has not studied earlier.

## University Stage

The curriculum for the first degree course in general education should be upgraded and reconstructed by the universities concerned keeping in view the new curriculum for classes XI and XII.

It would be advisable for the universities to introduce a few vocational courses in addition to the traditional academic courses. These will of course be different from the existing professional courses.

## Pre-professional Courses

Henceforward, class XII examination should uniformly be the minimum qualification for admission to different professional courses of university level such as Engineering, Medicine, Agriculture, Veterinary Science, etc. Accordingly, the pre-professional course, wherever it exists, should be abolished. The requirements of the pre-professional course may be adequately taken care of in the new curriculum for classes XI & XII.

## Duration of Professional courses

With success in the new higher secondary examination becoming the admission requirement for professional courses, we recommend that the period of instruction for degrees of B.E., B.Tech., B.Sc.(Engg.) and B.Arch. be reduced from five to four years.

Similarly, the duration of instruction for B.Sc.(Ag.) should uniformly be made of three years all over the country.

## Duration of first degree in general education

We are not in favour of the question relating to reduction from three to two years in the duration of instruction for B.A., B.Sc and B.Com. degrees being raised against this stage when the objective of the proposed structure is to pull up the standard of general education at all levels and bring about a broad uniformity all over the country.

## Location of the new classes XI and XII

We have examined the pros and cons of locating the new classes XI and XII in schools, in degree colleges, in independent institutions, or in a mixed set of institutions. Our recommendations in this connection are as under:

(i) It is desirable that on academic and pedagogic considerations, the new classes XI and XII should form part of the school system and should, as far as possible, be located in selected schools.

(ii) Independent units having only classes XI and XII

can be started if the enrollment in each unit is large enough to make the institution economically viable. In case the independent unit with only classes XI and XII cannot become an economically viable institution, then the unit could comprise classes IX to XII or VI to XII.

(iii) As an interim measure, due to financial or any other consideration, the new classes XI and XII could also be located in degree colleges.

(iv) In those places where the PUC has already been transferred to schools or in the case of states where a decision has already been taken or is being taken to locate the new classes XI and XII in selected schools, the arrangement need not be disturbed.

(v) Degree colleges which cannot maintain themselves if the PUC classes are taken away from them may wish to reorganise themselves and concentrate on the new classes XI & XII.

(vi) Irrespective of where the new classes XI & XII are located, the academic control of these classes should vest in the suggested Board of Higher Secondary and Vocational Education.

## Proportion of High and Higher Secondary Institutions

We realise that the proportion of ten-year and twelve-year institutions may vary a little from state to state depending upon local conditions, but we think that normally the anticipated estimate of the Education Commission to raise one-fourth of the ten-year schools to twelve-year schools may not generally exceed provided the institutions having the new classes XI and XII are planned properly and located objectively.

## Selection of Institutions for upgrading

We attach great significance to this aspect of introduction of the new structure of education, for it has far-reaching implications for the success of the whole scheme. To facilitate the work in this connection, we have suggested certain guidelines for the selection of schools to be up-graded to 12 year higher secondary institutions.

## Teachers and their Training

The reorganization of school and college classes under the new pattern necessitates revision of minimum qualifications for teachers, wherever necessary, and provision of appropriate pre-service and in-service training of teachers to meet the requirements of the new curriculum for both the academic and vocational courses.

## Minimum Qualifications of Teachers

For teachers of the new classes IX and X, a Teacher Training Degree with University Graduation should continue to be the minimum qualification as is generally the current practice in our country.

So far as the new classes XI and XII of the Academic Stream are concerned, we are strongly of the view that a person who does not possess a post-graduate qualification should not be allowed to teach the classes. Keeping in view the requirements of the syllabus, it will also be appropriate to

insist that the teacher should have obtained a second class or at least 45% marks in his Master's degree in the subject concerned.

A regular teacher-training degree is not considered essential for the post-graduate teacher of classes XI and XII. However, a short training of about 3 months duration immediately after recruitment would be very desirable. This will acquaint the teacher with the methodology of teaching; psychology of the adolescent children, management of classes, technique of continuous evaluation, etc.

#### Teachers for Vocational Stream

Full time teachers for the vocational stream could be made available through:

a) Orientation of selected teachers e.g. teachers of Agriculture, Commerce and Physics;

b) Recruitment of qualified and suitable persons already working in the relevant establishments and organisations.

In view of the heterogeneity of channels from which the vocational teachers will be drawn, their training will have to be organised with great care and imagination. For training some categories of vocational teachers, it might be possible to take advantage of the Teacher Training Institutes set up recently to train teachers of the polytechnics.

#### Advance Action Regarding Teachers

The question of personnel, i.e. Principals, teachers and other staff required for institutions, where the new classes XI and XII are to be started, should be examined carefully and well in time by each State/Union Territory. Where there is a shortage of teachers, timely steps should be taken to train or find and select persons of requisite qualification.

In the case of existing teachers who are without a post-graduate degree and are required for certain unavoidable reasons to teach new classes XI and XII one or both of the following two possibilities could be acted upon:

(i) Those who are young in age should be asked to obtain the regular post-graduate degree. The government should help them in securing admission and financing their studies. Suitable provision should be made for study-leave etc. for them.

(ii) Those who are elderly and have a long experience should undergo a condensed post-graduate course of studies and the diploma which they get at the end of such a course should entitle them to receive the salary scale meant for post-graduate teachers. For this purpose, one or more selected universities in the State should agree to organize such a course on regular class-room basis or through correspondence or a combination of the two techniques.

#### Protection of Existing Teachers

Conversion of higher secondary schools into high schools may here and there create some difficulties of adjustment of teachers, specially in aided schools. We have made some recommendations in order to remove these difficulties. One of these recommendations is that no qualified and duly recruited teachers should be thrown out of employment simply because of the introduction of the new structure.

#### Pre-service Training of Teachers

In the existing programme of pre-service training of teachers appropriate provision should be made to meet the requirements of the additional dimensions which have been introduced in the new curriculum. During their professional training, the prospective teachers should also be prepared to implement the schemes of continuous evaluation and moral teaching, both of which are being introduced on a national scale in classes IX and X.

For this purpose, not only the existing courses for teacher training will need a review and revision but suitable summer institutes will be necessary for the professors of teachers themselves.

#### In-service Training for Teachers

With the current explosion in knowledge, methodology and technology, it is essential that every teacher is made to undergo an in-service training course at least once in 3 to 5 years. The programme of in-service training will, therefore, have to be tackled on a very large scale so that all the existing teachers are regularly enabled to take advantage of summer institutes, vacation courses, and other refresher courses.

Programmes of in-service training should specially include updating the teacher's knowledge in his subject(s) of teaching and cover the elements like continuous assessment, remedial teaching, physical education and moral education.

#### Parity in Salary Scales and Allowances

It is strongly felt that irrespective of the nature of institution in which the 2-year stage comprising the new classes XI and XII is located, there should be no difference in the salary scales, allowances and service conditions of teachers. It will also be advisable to have the same fee pattern in all such institutions, by whatever name they may be called, where the 2-year higher secondary stage is provided for.

#### Strength of Teachers

The enlarged curriculum and other elements of the new educational structure necessitate a review of the existing formulae to determine the number of teachers required for a school. The inclusion of moral education and that of work experience in lower classes leading to a craft or trade in classes IX and X will necessitate the appointment of additional teachers. The compulsory teaching of Science to all pupils of Classes IX and X may also call for some strengthening of science teachers.

The time spent on continuous internal assessment activity should be taken into consideration in determining the work-load of a teacher and in deciding the total strength of teaching personnel of a school. Similarly, provision of extra teachers should be made for remedial teaching to weaker students.

In the case of vocational subjects or that of craft or trade to be taught in classes IX and X, where more personal attention of the teacher is called for, the pupil-teacher ratio may have to be kept low at about 12:10. For theory classes in the same subjects the corresponding ratio could, however, be around 30:1 as in the case of other subjects.



## Age Requirement

We consider it necessary that 6 plus is prescribed as the minimum age for admission to class I on uniform basis all over the country. But in view of the fact that the current facilities for pre-primary education are meagre, it might be desirable if at present the age of 6 plus is not made obligatory for all the States. In any case, in order to meet the challenges of the syllabi which will be strengthened under the new structure and keeping in view the fact that classes X and XII under the new pattern will require more maturity on the part of the students it is necessary to ensure that the students are not allowed to take the class X examination before the age of 15 plus and the class XII examination before they are 17 plus.

## Production of Reading Material, etc.

Introduction of new syllabi at the school and collegiate levels will call for new textbooks and other reading material. While the syllabi and textbooks should be kept under constant review, the prescribed textbooks should not be changed too frequently.

Every prescribed textbook should be supplemented with suitable reading material for students and literature for reference by teachers.

## Non-formal Education

We recommend the establishment of a parallel system of non-formal education through correspondence, morning and evening institutes, part-time institutions and other methods particularly at the two-year higher secondary stage, both for the academic and the vocational streams. The students of about 17 years of age are mature enough to undertake self-study with the help of lessons received through post or through other systems of non-formal education.

The successful organization of a system of non-formal education will meet a felt need of several types of persons including those who are employed in factories and elsewhere. It will also provide for the much needed flexibility of the Indian system of education.

In the area of academic subjects through correspondence course we feel there is need for the introduction of science subjects too.

It is hoped that the Indian system of education will be strengthened through the production of self-study kits and good and inexpensive popular literature on science and other subjects, and better use of public libraries, radio, T.V., and satellite communication, all of which constitute important agencies of non-formal education.

Students of both the formal and the non-formal systems taking the same examination should be eligible to the same degree/diploma/certificate. In other cases also an equation should be established between the certificates, etc., issued under the non-formal and the formal systems.

## Review of Schemes of Scholarship

With the introduction of the proposed 10+2+3 structure, various schemes of national scholarships, including the scheme for science talent search and the different schemes of

scholarships of the State Governments, may need to be reviewed in terms of the stage of education at which each one of them should commence and the duration and other terms to be laid down for them.

## Scholarships to pupils of vocational stream

In order to give support and encouragement to the growth of the vocational courses and to divert some talented students to join them, a scheme of merit scholarships should be instituted in every State and Union Territory for the benefit of students of the vocational stream at the new higher secondary stage.

## Admission Requirement of NDA

The authorities of the National Defence Academy may have to review the admission requirement of the academy bearing in mind the fact that the Jawaharlal Nehru University has recently recognised it for purposes of award of the University degree to all successful cadets of the Academy.

## Preparatory Measures

For the States and Union Territories, which are yet to introduce the new educational structure, we have suggested a list of measures for advance action.

## Conditions for Success

In addition to the usual considerations, which facilitate the success of any new educational reform, there are some conditions which are specially relevant to the success of the proposed educational structure. Some of these have been suggested by us.

## Financial Implications

The Committee would have liked to estimate the cost of introducing the new educational structure for every State and Union Territory separately. But that has not been practicable. The Committee has, therefore, prepared an all-India estimate of the cost.

The total expenditure on introducing the new structure during the Fifth Plan is estimated to be as under:

States where it takes	(Rs.in crores)
14 years to obtain the first degree in general education	32.5
States where it takes 14 years to obtain the first degree in general education	17.0
Vocationalization of Higher Secondary Education	10.0
Total	59.5
i.e.	60.0

The above amount may need to be adjusted to the extent the new classes XI and XII are attached to colleges in some areas.

The above expenditure will be less during the Fifth Plan in case the new syllabus leading to 10-year high and 12-year higher secondary school is introduced in class VII or VIII (instead of class IX as has already happened in a few States).

### Saving in Expenditure at Higher Education stage

The introduction of the proposed educational structure is expected to effect a saving in the anticipated expenditure on higher education. This saving during a plan period may be of the order of Rs. 100 crores or more. Such a saving will be effective during the Sixth and subsequent plans.

### Central Assistance

The proposed educational structure having a direct bearing on areas of responsibility of the Central Government, we recommend that the entire expenditure in introducing the

structure and the vocationalization of higher secondary education during the Fifth Plan should be met by the Union Government.

### Earmarking of Funds

In view of the fact that structure of education acts like the foundation of a building, we suggest that the entire development of education should in future be on the basis of the proposed structure and, therefore, the funds in the Fifth Plan to be allocated for the change of structure should be earmarked for that purpose and they should be outside the plan allocations of the states.

## COMMITTEE ON BUDGETARY REFORM IN MUNICIPAL ADMINISTRATION, 1972.

Report, New Delhi, Ministry of Works and Housing, 1974. II, 171p + iiip.

Chairman: Prof. G. Mukharji.

Members: Shri B.N. Pande; Shri S. Samaddar; Shri C.C. Doctor; Shri K.S. Sastry; Shri R. Kulandaivel; Shri M.R. Sivaraman; Shri A.S. Verma (retired from service on 23rd May, 1974 and did not attend the final meeting); Shri A.K. Mathur; Shri R.G. Godbole; Shri C.S. Chandrasekhara.

Co-opted Members: Shri N.P. Tiwari; Prof. Deva Raj.

Member-Secretary : Shri Satish Kumar.

Assistant-Secretary : Shri L.G. Keswani.

### APPOINTMENT

The Seventh Conference on Municipal Corporations held at Madras in April 1970, considered an item sponsored by the Town and Country Planning Organisation of the Government of India underlining the importance and urgency of employing new and advanced methods and techniques in the sphere of Municipal budgeting. The Conference passed a resolution recommending the appointment of an expert committee to examine the subject in detail and make recommendations thereon.

The Ministry of Health and Family Planning (Department of Health) constituted an expert Committee on Budgetary Reform in Municipal Administration vide their order No. 5-33/70-UCD dated the 24th August, 1972.

### TERMS OF REFERENCE

(i) to undertake a comprehensive examination of the existing budgetary systems, methods, practices and procedures, including financial control, in the Municipal Corporations and large municipalities;

(ii) to suggest improved budgetary systems, methods and procedures so as to make budgeting an effective tool of

financial and general management especially in the context of the need for planned development of urban areas and implementation of development plans, programmes and projects;

(iii) to consider and make recommendations as to how budgetary reforms can contribute towards more effective financial management and resource mobilization;

(iv) to examine the desirability of introducing programme and performance budgeting in Municipal Government and feasible ways in which these budgetary reforms could be achieved within a reasonable period of time; and

(v) to consider other relevant matters.

### CONTENTS

Introduction: Structure of Local Government with special reference to Municipal Administration; Problem of Municipal Government; Municipal budgetary procedure; Capital budget and budgeting for development; Performance budgeting; Financial Control; Municipal Accounts and Audit; Personnel and training; Appendices from I to XX.

### RECOMMENDATIONS

#### Decentralization

The Committee feel that if the State Governments take steps to allocate adequate resources to these bodies, strengthen their organizational and administrative set up and provide expert and technical help to them urban local authorities can, because of inherent strength in their system, handle most of these tasks with reasonable competence. The principle of decentralization has to be practised with willingness and conviction.

This trend of creating unifunctional authorities needs to be reversed and we recommend accordingly. Where for insuperable reasons of regional administration, the creation of such bodies must be undertaken in the public interest, local authorities in the area should find strong representation on them.

### Role as Development Authority

The task of planning and area development, because of their wider context, may have to be entrusted to an authority specially created for the purpose, the implementation of plans and execution could be best attended to by the local authority as it can muster active support from the local community. Any action that alienates this authority would only lead to creation of problems of coordination and may retard implementation. Further the felt needs of the citizens may not be reflected in the priorities and programmes undertaken by such special development agencies. The case is, therefore, made out for an organic linkage between the special development agency and the local authority.

### Agency for State Government

The Committee noted that the Gujarat Municipalities Act is perhaps the only Act which provides for transfer of a number of functions of the State Departments to the local authorities duly backed by adequate resources. The Committee commends this system to the other State Governments for adoption in their States.

### Accountability to the State Government

The accountability of the local authorities to the State Government may be studied from two angles (i) administrative; and (ii) financial. The administrative accountability requires the local bodies to submit resolutions, records and reports regularly. The State Governments also arrange for periodical inspection. The State Governments retain powers to require performance of certain functions and recover the expenses from the local body. Moreover, the State Government can cancel or suspend the decisions and resolutions of the local authorities and, in certain circumstances, supersede them also.

One obvious lacuna in the existing system is that the State Governments are not in a position to force the local bodies to step up the revenues by revising the rate and effecting adequate collections. The Zakaria Committee on Augmentation of Financial Resources of Urban Local Bodies had suggested certain measures to overcome the consistent slackness on the part of local bodies in taking adequate steps to raise the percentage of collection. These include inter-alia disciplinary action against the Chief Executive followed by such action against the President as may be deemed necessary, and finally, if the situation did not improve, the supersession of the local authority itself. The State Governments, however, did not find it feasible strictly to follow up the recommendation. The system of audit is yet another measure to enforce accountability in financial matters.

In spite of the fact that the State Governments have wide powers for regulating the financial actions of the local authorities, one finds that it is in this field where there is

much room for improvement. This is perhaps because the State Governments have not yet organized adequate and competent machinery to deal with the growing volume of work in respect of the local authorities. The budgets are treated as routine communications and are examined mostly at the clerical levels and passed with certain routine remarks. In most cases, we understand, that approval is accorded even without examining the documents received. The detailed examination is conducted only in case the State Government has received complaints about serious irregularities.

This ad hoc approach towards the governance of local authorities can hardly be expected to strengthen the system. The State Governments have to adopt an approach of a 'true friend and guide' to the local bodies.

### Income and expenditure pattern

The Committee feel that there is considerable scope for the Municipal bodies for exploring the field of non-tax income through remunerative enterprises, which will not only strengthen their income-base but will help reduce their dependence on the State Government considerably. Self-sufficiency will have a cumulative effect on the efficiency of the local authorities and would add to their stature and self-confidence.

### Constitutional Recognition

The Committee have given deep thought to this aspect and examined various proposals to break the impasse. The first suggestion is to provide to local government the status of a level of government by specifying their functions and powers in the Constitution. This course of action has already been voiced during the deliberations in the Joint Meetings of the Central Council of Local Self Government and the Executive Committee of the All India Council of Mayors organised by the Ministry of Works and Housing and put in one of the resolutions passed. The Committee appreciate that it may not be feasible at this juncture to implement the suggestion. The Committee, therefore, recommend that the Central Government may, at an appropriate time and in consultation with the State Governments, sponsor suitable amendment to the Constitution to confer adequate constitutional status on local government. It need hardly be emphasised that already one fifth of the population of the country lives in urban areas and this proportion has been increasing rapidly. The denial of constitutional status to such a local and highly conscious segment of the population could only lead to perpetuation of the indifference of citizens and consequent weakness of local authorities.

The Directive Principles of State Policy enshrined in the Constitution enjoin upon the State to 'take steps to organise village panchayats and endow them with such powers and authority as may be necessary to enable them to function as units of self-government'. The Committee feel that this principle has wider connotations and should normally cover self-governing units in urban areas as well. However, in order to keep the interpretation beyond doubt the Committee recommend that steps should be taken to amplify the Directive Principles to incorporate constitution of municipal authorities with adequate political status, powers and resources also.

The Rural-Urban Relationship Committee which made a detailed study inter-alia of finances of urban local bodies had, keeping in view the provisions of article 280 of the Constitution, recommended that well before the appointment of the Finance Commission by the President, the Governor of each State should appoint a body to be known as the Municipal Finance Commission to examine the financial requirements of local bodies for meeting their financial obligations for various obligatory services and development schemes. This procedure, the Committee felt, should not only act as a financial insurance for local bodies and protect them against arbitrary incursions of the State Governments but would also act as a stimulus for the local bodies to make the best use of the taxes allocated to them. The State Governments, the Committee observed, may include the financial obligations arising from the recommendations of the Municipal Finance Commission in their proposals for the Central Finance Commission. In this way the finances of local bodies will become an integral part of the overall national finances.

This Committee fully agree with the views expressed by the Rural-Urban Relationship Committee and support the recommendations enumerated above. The Committee, however, note that although this recommendation was made about 8 years ago, all the States have not yet implemented it. As a result of persistent demand made at the meetings of the Central Council of Local Self Government and the Joint Meetings, a number of State Governments have since set up Commissions/Committees as envisaged. The question, however, remains as to how far and how soon would the State Governments act upon the recommendations made by these Commissions/Committees. If the reluctance and delay in taking this decision is any guide, one could reasonably assume that the fate of the recommendations of these Commissions would in no way be better than that of their predecessor expert committees. The Committee feel that unless there is some constitutional mandate in this behalf also, the reluctance of the State Governments would continue. It may not be out of place to point to the fact that, as a result of the recommendations of the Central Finance Commission, the share and allocations of the states in the revenues of the Union Government have been increasing from time to time. It would not be too much therefore to stress that the State Governments should be prepared to devote atleast a proportionate share from the increased allocations to the urban areas. The Committee accordingly recommend that the practice of setting up State Municipal Finance Commissions should also have constitutional backing. The Constitution may enjoin on the Governor to set up the Commission periodically ahead of the Central Finance Commission.

### Widening scope of Municipal Finance Commissions

That the State Municipal Finance Commissions should take into account the local bodies' needs for both revenue and development expenditure.

### Inadequate exploitation of Local Resources

The Committee feel that there is considerable scope of

improving revenues from the existing resources but the local governments have not shown the necessary will to do so. There is a general feeling amongst them that raising the level of taxes, rates or charges for services like water etc., will make them politically unpopular. We feel that in the interest of long term benefits to the community as a whole they should get over this unreal complex of 'unpopularity' as more resources would lead to better services which would more than compensate them for temporary unpopularity.

### Urban Development

We have noted that the income of the local authorities, even Municipal corporations would not be any exception, is hardly adequate for normal maintenance of civic services and facilities. It is, therefore, quite difficult, if not impossible, for them to devote any portion of their revenue to development programmes. Further, the low sectoral allocations have failed to make any impact with the result that the conditions in our cities have been worsening and public dissatisfaction with inadequacy of civic amenities and community facilities and urban administration has been mounting.

The Committee hold the view that there is scope for trying other models and testing their efficacy, for instance, strong Mayor System, Mayor-in-Council system, etc. The elected wing could, for some period, be vested with full authority and executive wing made a subordinate authority to it. If the deliberative wing is clothed with adequate powers and responsibility it will have to show the results to satisfy the popular opinion to which it is ultimately answerable. The State Governments will be well-advised to try these models of local government in some selected cities and, based on the experience, large scale structural changes in municipal government could be thought of. This process, the Committee feel, has by its very nature to be slow so that a proper model comes up through the evolutionary process.

### MUNICIPAL BUDGETARY PROCEDURE

#### Time limit for submission and passing of Budget Proposals

We feel that the system of approval of budget by the State Government either directly or through its various functionaries, like the Director of Local Bodies, the Commissioner or the District Collector, is not conducive to efficient management of municipal affairs. Quite often the process of approval is time-consuming and till the formal approval is received, the municipal government is run on a most slender budget. No worthwhile activities are undertaken in the first three to four months till the budget approval is received. The delay also occurs unwittingly on the part of the State Government, etc., because of the fact that the L.S.G. Department and Directorate of Local Bodies are not adequately equipped to make such scrutiny quickly and comprehensively. On the other hand, we appreciate the concern of the State Government in ensuring proper financial health of the local governments for which they are accountable to the legislature on the one hand and the people on the other. Further, substantial grants are given to the municipalities for a number of activities by the State Government and they would naturally be interested in ensuring the proper utilization of such grants. We feel, on the balance, that the advantage lies in the

State Government retaining indirect control on the budget of the local governments in general. The State Governments may, unless they already have, assume powers under the Municipal Acts to issue directions to the local governments in respect of budgetary matters. However, any such direction should be issued after giving a time bound opportunity to the local government to present their case. Approval of the State Government in respect of budget need not be necessary.

### Preparation of Budget

We found that generally the quantum of artificial increase is in the range of about 5 per cent only in municipal budgets. In some cases, this figure, however, was substantially higher. One way to minimise the unrealistic enhancement of the estimates would, of course, be to increase the resource position of the local body. We do not claim this to be the total solution. Political maturity and experience may, in the long run, minimise this problem. However, in glaring cases, we would expect the appropriate government to make use of its power of review and issue directives to remedy the situation.

### Constituency Fund

The Committee would, however, suggest that care should be taken to see that this system does not lead to undue inequality in the levels of improvements in different areas. Moreover, it may be ensured that the funds are not utilised on prestigious or show-piece schemes in preference to schemes of public utility and convenience.

### Capital Works Budget and Capital Budget

The limits of expenditure between Revenue and Capital are to be determined by actual requirements, the capacity of the department to carry out works and the possibility of financing them from the two sources. A lower limit would tend to flood a large number of works into the capital works budget resulting in increased debt charges and leading to extravagance owing to the facility with which demands of spending departments for expenditure could be met by means of borrowing. A reasonable limit has thus to be determined and adjusted from time to time.

### Non-adjustment of Heavy Suspense

We would recommend that the concerned departments should fully reconcile and adjust the suspense account before the close of the financial year.

### Decentralisation in Budget Preparation

The Committee suggest that the system of preparation of budgets on Ward/Zonal basis should be encouraged and done on a more formal and scientific basis. At the lower level active participation of the councillors could be enlisted in the preparation of proposals which would be of distinct help in framing realistic proposals.

### Ward/Zonal Budgets

The Committee feel that the system of consolidating the

proposals for all departments at the ward level was necessary as it would depict a true picture of the progress of work and development in the Ward.

The Committee therefore recommend that the exercise for budget preparation and finalisation should be done in not more than 3-4 months commencing towards the end of the third quarter of the financial year.

### Methods to keep Constant Watch on Revenue Earnings and Expenditure

Almost all the Municipal Corporations have devised some methods of keeping a watch on the accrual of revenues and the progress of expenditure. In the Bombay Municipal Corporation, the Chief Executive keeps a watch through a system of monthly and quarterly returns. These returns are designed to record all budget grants and variations therein on account of plus and minus, transfers as well as additional grants and the final amended grants. Any adverse variation from the trend has to be explained. A senior officer of the Internal Audit is in charge of this arrangement. The system is such that any excess of expenditure over the grant could be immediately checked. This regular monitoring is being utilised for financial control for taking corrective steps in case of a fall in revenues or excess in expenditure and diverting savings timely for proper utilisation.

The Delhi Municipal Corporation also has a system of periodical returns. However, they have devised another system of preparation of daily consolidated returns of revenue from different sources. This return of revenue enabled the Municipal Commissioner and the Chief Accountant to keep a watch on trend of income on a day to day basis. Similar statements are prepared weekly, monthly, quarterly, half-yearly and yearly with corresponding figures of previous periods and explaining the increases or shortfalls if any. The Committee consider this to be a very salutary practice and recommend its adoption by other local bodies.

Wherever the system of monitoring through returns is in vogue, it should however be put on a regular basis. Atleast monthly and quarterly returns must be prescribed and the results made use of in ensuring proper financial administration. The returns should include a statement explaining adverse variations from the trend so that corrective measures could be adopted in time. These returns should be circulated to the chairman of the Standing Committee and the Mayor as well.

### CAPITAL BUDGET AND BUDGETING FOR DEVELOPMENT

#### Capital Budget

The need of capital budgeting to our mind stands established beyond doubt and it is high time that all the major municipal bodies in the country adopt it without further delay.

On account of the comparatively complex nature of the capital budgeting process, an oft-repeated complaint is that it is not easily understood by the elected representatives, nor by the general public and that it quite often makes implementation difficult. The councillors also shrink away from

it for fear of enhancing taxes etc., to finance the capital improvement programmes. Something will have to be done to cover these deficiencies and allay these apprehensions in order to make capital budgeting popular with the municipal bodies.

### Present practices in Capital Budgeting

It is observed that by and large water supply and drainage schemes are executed by the State Government. In some cases the Improvement Trusts have been set up to execute large scale capital improvement programmes and there is no relationship between the capital improvement programmes of the municipal body and the Improvement Trusts/ Development Authority. It is also seen that in many of the capital projects which are executed by the State Government on behalf of the local authority, the latter has no control over its phasing.

### Contribution for Development Programme

The major flaws and shortcomings in the existing system in so far as capital budgeting is concerned are:

(a) As the accounts are prepared on only annual receipt and payment basis it is not possible to measure, in financial terms, the progress of work on any capital work since direct relationship is not indicated between the receipt of money for a particular project and payments made towards its execution. This gives enough scope to local authorities to utilise loans etc. receipt for meeting recurring expenditure.

(b) The provisions made in the budget are based more or less on the actuals of the past year on many minor capital works rather than on the basis of needs or actual requirement; in turn there is no long term plan in which needs of various areas and services have been assessed and suitable projects identified and phasing indicated for purposes of execution.

(c) The budgetary classification is not on the basis of functions, programmes and projects.

(d) Further, it has also been noticed from existing budget formats that area-wise data are not presented. Since local authority, by its nature of functions, is directly accountable to the local people, it is necessary that data should be presented in such a way that maximum information with minimum effort is available to its residents. It is a fact that the level of services pervaded by municipal authorities varies substantially from locality to locality; hence it is necessary that from a study of the budget people would be able to know as to how much is being spent on what service in each locality, preferably in a zone. This will also help the deliberative wing in issuing directives to the executive for enhancing the level of a particular service in an area where it is found to be of a low standard.

(e) Also, certain items of capital expenditure are merged with revenue expenditure heads; certain other items are shown under capital major heads within the revenue account; some others are initially debited to capital major heads outside the revenue account and then transferred back to revenue account.

Under the present system of budget formulation it is observed that there are no set practices or procedures for in-

volving the deliberative wing either in laying down guiding policies or evaluating the performance of the executive. Information collected through the questionnaire indicates that in over 50 per cent of the municipalities the standing committees do not provide either guidelines in the selection of schemes prior to budget preparation or evaluate the performance on the sanctioned ones.

### Requirements of Capital Budgeting

That process and presentation format of capital budget have to change. Any reform which has to be brought into this field should meet the following requirements:

(i) Capital budget must be clearly distinguished from revenue or maintenance budget but its linkages with the latter must be clearly shown.

(ii) Capital budget must be easily understood and appreciated by the elected representatives and the general public and for this purpose the statements must indicate clearly the existing status, the improvements proposed, the costs of such improvements and how these costs will be met by the local body out of different resources such as grants, loans, internal receipts, new levies etc.

(iii) As capital improvement programmes have necessarily to spread over a number of years, the budget must show the year-wise programme indicating the physical targets proposed to be achieved each year. It must also show the year-wise financial outlays and the benefits, both interim and final, to be realized in concrete terms.

(iv) As capital improvement programmes are to create assets, the accretion to the assets of the local body should be clearly brought out and the manner in which the assets will be maintained should be precisely indicated.

(v) Whenever these are to be financed from local resources it must be clearly shown where the resources are to come from. The funds thus generated should be tied up with the programme and this fact made clearly visible in the budget statement.

The classification of items in the annual budget should be such as would clearly bring out the efforts of local bodies in each sector. It is recommended that classification as suggested by the Team on "Reforms in the Structure of Budget and Accounts" appointed by the Government of India should form the framework under which the detailed items of the activities of local authorities should be classified. An All-India uniformity in the last detail may not be possible at this stage. Each State Government may, therefore, undertake this work for its local bodies and prescribe a uniform classification.

### Preparation of the Capital Budget

Forms for the preparation of capital budget are given in Appendices. These have been designed so as to bring the concept of long term development, a rolling plan and a current year capital improvement programme. This will give a clear picture of the schemes, how they are proposed to be finalised, the manner in which the capital is to be paid for if taken on loan and the extent of internal resources required to be mobilised and the manner of doing so.

# **I. Current Status of Capital Improvement Programmes**

Detailed physical units. This table (Appendix XI) is to comprise only physical data for each scheme.

## **Appendix XI : CURRENT STATUS OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED) PHYSICAL UNITS**

Sl.	Major Head/ Minor Head	Salient features of the schemes, purpose, targets, year of commence- ment, expected year of comple- tion	Achievements, Present and Future				Remarks	
			Two years previ- ous to the current year	One year previ- ous to the current year	Current year	First year following the curre- nt year		Second year following the curre- nt year
1	2	3	4	5	6	7	8	9

### **Notes**

(a) In the case of new schemes, columns 4&5 will not be filled.

(b) In the case of a short term scheme, only 5 & 6 or 6 & 7 get filled up.

(c) Columns 4 & 5 refer to continuing schemes/only. These schemes which have been compiled previously need not be shown.

**II. Current Status of Capital Improvement Programme- (Detailed and Financial):** Table (Appendix XII) corresponding to table (Appendix XI). Information in this table will contain only financial data.

## **Appendix XII : CURRENT STATUS OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED FINANCIAL)**

Sl. No.	Major Head/ Minor Head	Salient features of the scheme, total cost, year of commencement, expected year of completion	Achievement - Financial in Rs.					Remarks
			Two years previous to the current year	One year previous to the current year	Current year	First year following the current year	Second year following the current year	
1	2	3	4	5	6	7	8	9

Notes (a) In the case of new schemes, columns 4&5 will not be filled.

(b) In the case of a short term scheme, only 5 & 6 or 6 & 7 get filled up.

(c) Columns 4 & 5 refer to continuing schemes only. The schemes compiled previously need not be shown.

**III. Current Status of Capital Improvement Programme - Physical and Financial Abstracts (appendix XIII).** This table is sup-ported to provide an abstract of data given in preceding two tables. It is presumed that Councillors etc. will be concerned with analysis of this table only since it does not contain details about each scheme.

## **Appendix XIII : CURRENT STATUS OF CAPITAL IMPROVEMENT PROGRAMMES (PHYSICAL AND FINANCIAL ABSTRACTS)**

Sl. No.	Major Head/ Minor Head	Brief Description of the scheme	Achievements										Remarks	
			Two years previous to current year	One year previous to current year	Current year	First year following the current year		Second year following the current year						
			Physi- cal	Finan- cial	Physi- cal	Finan- cial	Physi- cal	Finan- cial	Physi- cal	Finan- cial	Physi- cal	Finan- cial		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	

Note : Only total targets are to be indicated and brought from the Appendix XI & XII.

**IV. Financing of Capital Improvement Programme: Detailed outlays: (Appendix XIV)** This table is to throw light on the manner in which each scheme is to be financed.

**Appendix XIV : [Financing of Capital Improvement Programmes (Detailed outlays)]**

Sl.	Major Head/ Minor Head	Total Scheme:Financing				Financial outlay in the year previous to the					
		Description of scheme		Total outlay	Central		State		Internal Resource		
					Loans	Grant	Loans	Grant	Revenue	Loans s u r p l u s	
1	2	3			4	5	6	7	8	9	10
Total outlay	Central Loans	Grant	State Loans	Grant	Internal Revenue Surplus	Resource Loans	Total outlay		Central LoansGrant	State LoansGrant	
11	12	13	14	15	16	17	18	19	20	21	22
Internal Resources Revenue Grants Surplus		Total outlay			Central Loans	Grants	State Loans	Grants	Internal Resources Revenue Loans surplus		
23	24	25			26	27	28	29	30	31	

**V. Financing of Capital Improvement Programme: Abstract by major heads: (Appendix XV).** This table is only abstract of the data given in (Appendix XIV). As mentioned earlier to be presented to councillors etc. giving broad details only.

**Appendix XV : [FINANCING OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED OUTLAYS)]**

Total Scheme: Financing					Financial outlay in the year previous to the current year.						
Sl. No.	Major Head/ Minor Head		Description of scheme		Total outlay	Central		State		Internal Resources	
						Loans	Grant	Loans	Grant	Revenue surplus	Loans
1.	2		3		4	5	6	7	8	9	10
Total outlay	Central Loans Grant		State Loans Grant		Internal Revenue	Resources Loans	Total outlay		Central Loan Grants		State Loan Grant
11	12	13	14	15	16	17	18		19	20	21 22
Internal Resources Revenue Grants surplus			Total outlay			Central Loans Grants		State Loans Grants		Internal Resources Revenue Grants surplus	
23	24		25		26	27	28	29	30	31	



**VI. Five Year Development Programme: Detailed Table (Appendix XVI).** This table relates to the five year programme if it had been worked out. This table is expected to give the overall details of physical programme under each major head and its financial terms under each scheme for a period of five years.

**Appendix XVI : FIVE YEAR DEVELOPMENT PROGRAMMES (DETAILED)**

Sl. No.	Major Head Minor Head	Description of outlay	Total Achievements and outlay		Achievements and outlay in I year of plan		Achievements and outlay in the II year of plan		Achievements and outlay in the III year of plan		Achievements and outlay in the IV year of plan		Achievements and outlay in the V year of plan	
			Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

**Note:** Indicate which year of the plan is the current year in the table and encircle it with bold lines.

**VII. Five Year Development Programme: Abstract Table (Appendix XVII).** This is an abstract of the preceding table.

**Appendix XVII : FIVE YEAR DEVELOPMENT PROGRAMMES (ABSTRACT)**

Sl. No.	Major Head Minor Head	Description of outlay	Total Achievements and outlay		Achievements and outlay in I year of plan		Achievements and outlay in the II year of plan		Achievements and outlay in the III year of plan		Achievements and outlay in the IV year of plan		Achievements and outlay in the V year of plan	
			Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial	Phy- sical	Finan- cial
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15

**Note:** Indicate which year of the plan is the current year in the table and encircle it with bold lines.

VIII. Financial Working of Capital Improvement Programme: Detailed (Appendix XVII). In this table the receipts and expenditure on capital budgets are balanced by indicating various receipts and expenditures.

Appendix XVIII : FINANCIAL WORKING OF CAPITAL IMPROVEMENT PROGRAMMES (DETAILED)

Appendix VIII: Financials - WORKING CAPITAL AND DEBT MANAGEMENT PROGRAMMES (Detailed)										
Sl. No.	Major Head Minor Head Scheme	Year Previous to current year					Receipts			
		On new works	*On capital maintenance	Repayment	Total	Grants (External)	Loans (External)	Capital# (receipts)	Internal resources	Total
1	2	3	4	5	6	7	8	9	10	11

While there is no doubt that the programmes of the Central and State Governments should normally have precedence over the programmes of the local authorities, it needs no emphasis that the schemes of the municipal bodies also aim at maximising the welfare of the people and should, therefore, not be treated as competing demands but as complementary efforts and integrated with the programmes envisaged at the higher level. The Rural-Urban Relationship Committee had studied this aspect in depth and recommended the setting up of a Municipal Finance Corporation with an authorised capital of Rs. 10 crores to advance loans to urban local bodies for remunerative enterprises. This recommendation, though very important for the development programmes of the local authorities, has also remained on paper so far. The Committee strongly support this recommendation and urge the Central Government to implement it without delay, in any case during the currency of the Fifth Five Year Plan.

The needs of the local authorities are vast; the State Governments could also make supporting and supplemental efforts. It is noted that the Government of Kerala has since set up the Kerala State Urban Development Finance Corporation Ltd., with the under-mentioned functions:

- (i) Provision for financing of development schemes of urban local bodies;
- (ii) technical and administrative assistance and guidance;
- (iii) establishing and subsidising training and research; and
- (iv) acting as agents of Central or State authorities, etc.

The Committee consider this a very welcome step and would like to urge the other State Governments to emulate the example of the Kerala Government. The State Governments would, no doubt, appreciate that to the extent the local authorities are enabled to stand on their own, to that extent their own responsibility to aid these authorities will be reduced.

The Committee, therefore, recommended that the scope of the assistance from the IUUDCO should be widened and the terms and conditions revised suitably to admit various schemes of municipal authorities.

## PERFORMANCE BUDGETING

### Specifications of goals and objectives

It is necessary that the goals and objectives of the various programmes are clearly spelt out so that the deliberative wing can make an appropriate choice of expenditure programme and allocate resources in accordance with the relative priorities it attaches to the various programmes. We consider that such a deliberate exercise of the choice and a conscious allocation of the resources is fundamental to the concept of local government.

### Long-term Perspective

We are of the view that a perspective plan would be necessary for an integrated growth of the city and this, in turn, would help in properly budgeting for such growth.

We recommend that at least in respect of all major municipalities, projections should be made of the likely population in the next census year, that is, 1981, the volume and range of civil amenities and community facilities required, likely growth of the economic activity having bearing on the demands of urbanisation, etc. From such projections the position papers should derive the needs of the population, the industries, etc. and indicate the current level of achievement and the programmes on the anvil, the basic deficiencies and projections for the future. The idea of the volume of investment to sustain desired growth in the area concerned by the municipal body could then be crystallised. As a working model we would commend Calcutta's Basic Development Plan for this exercise. However, for medium and small cities, the development plans of Agra and Jaipur would be more appropriate models.

The preparation of such position papers on Basic Development Plans will enable the planners at the Central and State levels to take into account the needs of the urban areas in determining the allocation of resources for development in the Five Year Plans. We feel that such an exercise will provide not only the necessary long term perspective for budgeting in the municipal bodies but will also lend to the process of allocation of resources and the execution of programmes a sense of direction and a sense of purpose more in tune with the aspirations of the people.

### Involvement of Local People

It is our sincere hope that the preparation of position papers as suggested by us and the preparation of the budgets in the context of the long term perspective delineated therein would help shift the focus from short term to long term objectives. In this context, we cannot over-emphasize the need to involve the local people, particularly organized bodies like local Chambers of Commerce and Industry, the educational institutions, the political parties, citizens, associations and the trade unions in drawing up the position papers and in formulating programmes designed to meet the needs as assessed in the position papers. The students and teachers of the local colleges can benefit a great deal from and can make a useful contribution to the investigative and analytical work involved in such an exercise. We have no reason to think that such an open participation of the people will be detrimental to the standards of administration in the municipal bodies. On the contrary, we are convinced that such an exercise would strengthen municipal administrations.

### Cost Information

We understand that the Central and State Governments have adopted such a pragmatic approach in the matter of accounting classification and booking of expenditure and we recommend this to the municipal bodies. This should not inhibit the installation of a more sophisticated accounting system wherever feasible.

### Accounting Classification

We feel that the State Governments can prescribe the

broad functional classification by Major and Minor Heads to be adopted by all the Municipal bodies in the State keeping in view, inter alia, the need for obtaining comparative costs of municipal services. Each municipal body can then evolve a two-tier classification to suit its requirements bearing in mind the need to obtain comparative data on the performance of different units, especially maintenance services. The last tier classification, which indicates the inputs or the nature of expenditure, should again be standardised by State Governments for all the municipal bodies so as to facilitate collection of data on a uniform basis on the cost of various services.

### Monitoring Evaluation

It seems to us at once necessary and feasible to prepare periodical progress reports on the execution of various programmes. Specially, we think it should be possible for the departmental heads to submit monthly progress reports in both financial and physical terms to the Commissioner and the departmental or zonal standing committees wherever they exist. At the end of each quarter, it should be possible for the Commissioner to submit a comprehensive progress report to the deliberative wing, which may be discussed by the latter in the same way as the regular Budget.

### Study of Comparative Costs of Municipal Services

State Governments make a study of the unit cost for different types of services in the municipal bodies so as to persuade the municipalities, which may be indulging in extravagance, to adopt more realistic norms for the sanction of staff, etc. It is necessary to locate a suitable cell for this purpose in the office of the State Director of Municipalities.

### Intensive Efforts in Selected Municipalities

We feel that if intensive efforts are made by the State Governments to introduce the system successfully in one or two carefully selected municipalities, the example of such success is bound to encourage the other municipalities to adopt the system quickly. We, therefore, recommend that, to begin with, one or two municipalities in each State may be selected for this purpose and the expertise available at the Central and State levels may be drawn upon to install the performance budgeting system in the selected municipalities within a reasonable period of time.

## FINANCIAL CONTROL

### Clearance of Schemes

We have already recommended that the State control on municipal budgets should be indirect. In our opinion, the State Governments should retain to themselves the powers of indicating guidelines, setting out standards and providing by laws, regulations and budgetary patterns. The local bodies should be free to act within the framework provided and should be required to submit copies of the budgets, and returns regularly. The State Governments should intervene only if the acts of the local authorities are found to be inconsistent with the law and the standards laid down or if there is

a serious abridgement of financial propriety. The State Governments may, however, continue to insist on their prior approval of the budget in the case of indebted municipal authorities which should be so declared for specified periods. By indebted authorities we mean the authorities which are unable to meet their obligations of timely repayment of the principal and the interest. We are, however, conscious of the fact that the proposals regarding changes in the rates of taxes, for levying new taxes and the schemes financed from State Government grants and loans will continue to be referred to the State Government for approval. In such cases the Committee would stress the need for expeditious decisions of the Government on a time bound basis.

The Committee would, therefore, recommend that in matters of sanction of estimates etc. such municipalities should also be given the liberty of sanctioning the estimates at the local level as far as possible. The State Government might, however, scrutinize such schemes as require higher technical competence which may not be available at the local level. The Committee noted that all major works in the municipalities are executed through the State Public Health Engineering Departments. The Committee would, however, recommend that in these matters of major works too the State Governments should progressively give more powers to major municipalities to enable them to develop expertise, maturity of judgment and a higher sense of responsibility. After all, they are accountable to the local community and should be made to feel its impact. By taking too much upon itself to avoid all risk, the State Government not only helps provide a spurious alibi to local authorities but almost certainly prevents or delays their full flowering into purposeful and responsible democratic institutions.

The Committee recommend that the conditions for advancing loans and providing grants-in-aid be rationalised and the procedure for their sanction simplified. It is further recommended that the procedures for sanctioning the levy of taxes and/or revising the rates of taxes should also be simplified.

### Control at Intermediate level

The recommendations and suggestions made in respect of the State control are also applicable to the system of control by State functionaries at the intermediate level.

### Submission of Progress Report

The Committee would wish that the State Government would keep itself well informed about the functioning of the local authorities within its jurisdiction.

### Approval of Estimates

The Committee recommend that the powers of the Commissioner to sanction estimates be fixed at rupees one lakh. In cities with a population of over two million, this limit may be rupees two lakhs. There may, however, be a system of reporting all estimates above rupees fifty thousand approved by the Commissioner to the Standing Committee.

### Delegation of authority to lower level officers

The Committee feel that the Commissioner should be

empowered to delegate some of his powers, upto certain limits, to the departmental heads and their senior aides. This could, however, be left to the discretion of the Commissioner to be exercised by him keeping in view the local conditions and the level and competence of officers available under him. In this way the burden of the Commissioner will be lessened and speedier decision-making and implementation take place not only to public advantage but will also be useful in the matter of utilisation of funds provided in the budget. He should, however, keep a check through regular reports and inspections of concerned files from time to time.

#### Award of Contracts

The Committee would like to point out that in the State Government departments there is a system of devolution of financial powers among various subordinate levels. A similar system could be adopted in the Municipal Corporations as well, in view of the fact that a high degree of decentralisation would lead to efficiency.

#### Other Financial Powers

The Commissioner and the departmental heads should be given powers within the departments they control corresponding to those available to their counterparts in the State Departments, as well as for expenditure from contingencies. This should apply to the Municipal Corporations as well as large municipalities.

#### Powers of Standing Committee

The Committee recommend that the powers of sanctioning the estimates by the Standing Committee should be fixed between rupees one lakh and rupees five lakhs. This recommendation applies to the Committees incharge of municipal undertakings, like transport, electricity supply, water supply etc.

#### Contracts Committee

The Committee noted that the Madras Municipal Corporation has a small committee called the Contracts Committee comprising the Mayor, the chairman of the functional committee concerned and the Municipal Commissioner which approves the tenders and awards contracts. The Committee commend this practice to other corporations for adoption. This will, however, be applicable only to those cases which are not covered by the powers of the Municipal Commissioner. In this way the work would be disposed of quickly and the chances of making a bad selection, etc. would be minimised. The Standing Committee need not be burdened with the responsibility of scrutinising tenders, awarding contracts, etc., which should be done by the executive wing.

#### Powers of the Council

The Committee consider that the powers entrusted to the council need to be fixed beyond certain higher limits. In an earlier paragraph the Committee have recommended a limit of rupees five lakhs for estimates to be approved at the Committee level. Accordingly, only those estimates as are

above this limit should be put before the council for approval.

#### Financial Control in Municipalities

The Committee recommend that the various authorities in the municipalities may be vested with financial powers as indicated below:

(a) **Approval of Estimates:** In municipalities with population above one lakh, the Chief Executive Officers should be empowered to sanction estimates upto the value of Rs. 50,000 if the scheme is covered by the budget. All sanctions should, however, be reported to the Executive Committee within a fortnight. The limit upto which the Executive Committee may sanction estimates may be Rs. 2 lakhs.

In the case of municipalities with population between Rs. 50,000 and 1,00,000 the powers of the Executive Officer and the Executive Committee be fixed at Rs. 25,000 and Rs. 1 lakh, respectively.

The limits of sanctioning estimates in respect of other local authorities may be fixed by the State Governments taking into account the income of the local body and the status of the officers employed.

(b) **Awarding Contracts:** In the matter of awarding contracts, the officers in different local authorities may be given powers equivalent to powers enjoyed by officers of the corresponding status in the State Government departments. The Municipal Council should have full powers to award contracts for the estimates approved by the State Government.

#### MUNICIPAL ACCOUNTS AND AUDIT

##### Municipal Accounts

We recommend that the State Governments may proceed to reform the formats of budget and accounts to serve the following purposes:

(a) The budget and account documents may become simple and easily comprehensible.

(b) These may serve as effective tools of management.

It is suggested that the distribution of capital and revenue accounting should be introduced in the case of municipal remunerative enterprises forthwith, with the ultimate object of extending it as far as possible, to other spheres of municipal services, wherever not obtaining.

##### Audit

We recommend that the existing system in most municipal corporations of audit being independent of the executive but responsible to the council should continue. The Chief Municipal Auditor should, however, be appointed by the State Government. The reform should, therefore, be from within. We also recommend that there should be a statutory standing committee of the council on the lines of the Public Accounts Committee of the Legislature/Parliament which may be entrusted with the duty of considering Municipal Chief Auditor's suggestions and objections and which should be in a position effectively to direct the executive and the deliberative wings to comply with its instructions. The Councillors who are members of this committee should be debarred from the membership of any other

functional committees.

We feel that the audit should not only be progressive and enlightened in outlook but should be appreciative of the difficulties of the executive. The audit should give greater emphasis on evaluation of efficient performance rather than just confining itself to the regulatory aspect as is the case at present.

We feel that once the drawbacks and loop-holes have been highlighted by the audit and necessary reform brought about in the procedure or the suggestions deemed unacceptable by the council, there is no point in keeping the audit objections alive on record or repeating them in future reports. All long standing audit objections may be scrutinised in the light of the aforesaid observation and dropped, as far as possible.

We further feel that the controversy regarding the role of audit is largely due to lack of appreciation on the part of auditors and councillors/executives of the importance of each other's activities. We feel that there is need to create a proper atmosphere wherein the executives, the councillors and the auditors have mutual trust in the good intentions of each other. For this, the lead will have to be given by the councillors.

### System of Audit

We feel that concurrent and pre-audit may curb initiative and lead to delay in the process of implementation. We do not regard these suitable for efficient functioning of local authorities. Having recommended the system of post-audit, we would like to emphasise the importance of internal audit which enables the local authority to exercise a check on the propriety and level of expenditure and ensures observation of financial rules and regulations. However, in many local bodies, the system of internal audit is not yet very effective for the reasons that their accounts departments are not adequately equipped for this purpose. We would like to recommend that this department should be suitably strengthened and the personnel properly trained so that the internal audit could play its role usefully.

## PERSONNEL AND TRAINING

### Adequacy of Personnel

The Committee would like to suggest that the State Governments may keep the following principles in view, which should apply to the personnel employed in accounts and audit departments also:

(a) The posts in the Municipal Corporations and large municipalities should be comparable to the posts at the corresponding levels of the State Government in so far as the basic attributes enumerated above are concerned.

(b) The selection to the posts should be on the basis of merit. A suggestion often made and worth consideration is the creation of a Municipal Service Commission.

(c) Statewide cadres be established for various posts so that persons joining the service will have reasonable opportunity to advance in their career.

(d) Adequate incentives and facilities be provided to the employees who undergo training.

(e) A regular system of assessment of work and perfor-

mance should be introduced through supervisory channels.

### Specialisation

The Committee recommend that the Municipal Corporations and large municipalities should adopt modern methods and techniques of keeping accounts by employing machines. The machines would be particularly useful in maintenance of accounts and timely issue of bills relating to property taxes, electric and water charges and other municipal services requiring periodical and repetitive billing and collection. However, we would like to add a word of caution about employment of machines. Experience with these machines in other organisations has shown that unless the general level of personnel is of a reasonably high order of efficiency and these are operated and maintained by qualified personnel, the intended benefits do not accrue and the machines tend to be a liability. Further, in the present state of our economy when unemployment problem is pretty serious, replacement of men by machines may not be advantageous. The machines should therefore be introduced for the purpose where efficiency cannot be attained by employing more hands. Before machines are introduced employment of qualified operational and maintenance staff should be a pre-requisite.

### Training and Orientation

The Committee recommend that the National and Regional Centres should organise training and orientation course on a regular basis for personnel at different levels in these departments. The Institute of Secretariat Training and Management functioning under the Department of Personnel of the Government of India has been running regular courses for ministerial personnel of the Central Secretariat and its attached offices. The Municipal Training Centres could take advantage of the expertise and materials developed by the I.S.T.M.

We suggest that the Central Ministry of Works and Housing should undertake through the Indian Institute of Public Administration (National Centre for Training and Research in Municipal Administration) about six training courses for the middle level staff connected with budgeting and accounting in selected municipalities and six seminars for the top officials and elected representatives. Suitable complements of officials at the State level may be associated with these training/orientation programmes so that they can gain sufficient experience to pursue the programme at the State level. Later, these activities may be conducted by the Regional Centres of Training and Research in Municipal Administration on a regular basis.

### Disciplinary Matters

The Committee noted that the Chief Accountant and the Chief Auditor in Municipal Corporations are very senior officers and are sometimes appointed from the All India cadre. These departmental heads should, therefore, be responsible for disciplinary control over the staff employed in their departments subject to the over-all administrative control of the Municipal Commissioner. These officers could also be given the powers of writing the assessment reports of their

subordinates which could be reviewed by the Commissioner. They could also be empowered to award minor punishments upto certain level subject to the appellate jurisdiction of the Municipal Commissioner. The powers of awarding major punishments should vest in the Municipal Commissioner and the appellate jurisdiction in such cases given to the Mayor, except in the case of Municipal Chief Auditor and his staff who are not under the control of the Municipal Commis-

sioner. In their case, the Chairman of the Standing Committee or the Mayor depending upon the provisions in the Municipal Act should be the reviewing authority. The existing practice of putting such matters before the Standing Committee may be given up. Since the Commissioner is the head of the Executive Wing he should have full control over the Municipal personnel.

## WORKING GROUP ON PRISONS IN THE COUNTRY, 1972.

Report, New Delhi, Ministry of Home Affairs, 1973. Memiographed. 251p + viip.

**Chairman:** Shri A. Gupta.

**Members:** Shri K. Sivaramakrishnan (succeeded by Shri L.T. Blake); Shri D.C. Mookherjee; Shri S.C. Goli; Shri J.J. Panakal; Shri D.J. Jadhav; Shri P. Kuppuswamy (succeeded by Shri S.M. Diaz); Shri P. Gopala Menon; Shri C.B. Patil (succeeded by Shri K.L.N. Reddy); Shri R.P. Puri (succeeded by Shri Prakash Chand); Shri A.S. Ranawat (succeeded by Shri A.K. Bose); Dr N. Mohanty.

**Convener/Secretary:** Dr (Smt.) Jyotsna H.Shah.

### APPOINTMENT

The Government of India constituted a Working Group to examine measures for streamlining and improving the jail administration and conditions of living in the prisons vide the Ministry of Home Affairs letter No.3/46/ 72-GPA.II dated the 18th October, 1972.

### TERMS OF REFERENCE

(i) To examine the physical and administrative conditions of the jails and to suggest ways and means of improving them;

(ii) To lay down standards in respect of different services and facilities in the jails;

(iii) To examine the position in respect of the existing prison accommodation and lay down guidelines for construction of new prison buildings;

(iv) To analyse the factors hampering the growth of prison development and formulate training programmes for the prison staff;

(v) To lay down an order of priorities for the prison development schemes;

(vi) To suggest ways and means for incorporating the principles of reformation and resettlement of the criminals in the system of administration of the jails and the treatment of the criminals;

(vii) To consider other allied matters concerning prisons and prisoners.

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Analysis of Prisons and Prisoners in One Decade (1961-70); National Policy on Prisons; Alternatives to Imprisonment and Legislation Effecting Prisons; Departmental Organisation and Coordination; Internal Administration in Prisons; Recruitment and Training of Prison Personnel; Service Conditions of Prison Personnel; Classification of Prisoners and Diversification of Institutions; Treatment Services and Work Programmes in Prisons; Review of Sentences, Premature Release and After-Care; Prison Architecture and Buildings; Order of Priorities for Prison Development Schemes; Summary of Recommendations; Appendices I to VI.

### RECOMMENDATIONS

#### A Review of Prison Reforms in India

The entire system of the prison administration calls for a thorough overhaul and many-pronged reforms. The development of the Prison and Correctional Administration should no longer remain divorced from the national development process. A provision of Rs. 100 crores should be made in the 5th Five Year Plan to cover the following aspects of the Prison Administration:

(1) Improvement of existing buildings, and construction of new buildings for under trials and the various categories of prisoners.

(2) Construction of residential accommodation for the staff.

(3) Modernisation of industry and agriculture in prisons and correctional institutions.

(4) Provision of scientific and technological facilities in prisons, such as secret, fire-fighting, alarm and communication arrangements.

(5) Basic, refresher and specialist training of prison personnel from the policy making to the lowest levels.

#### An Analysis of Prisons and Prisoners in One Decade (1961-70)

There should be a one-time review of the cases of all under-trial prisoners throughout the country in 1974, aimed at releasing those prisoners who have committed offences only of a minor nature or who are not habituals or who have

already undergone undertrial detention for periods longer than what they may be sentenced to at their trial or whose cases have been pending investigation with the Police without the filing of charge-sheets for more than 6 months of the investigation/ trials or whose cases are held up because of one or more insoluble problems like difficulty in the conduct of identification proceedings of person or property, non-availability of witnesses, etc. We believe that a review of this kind can be carried out by the magistrates and judicial officers concerned with the assistance of the prison authorities and will serve a very useful purpose not only of bringing down the jail population to manageable proportions but also of reducing the heavy arrears in courts and will enable both the police and the courts to concentrate on the cases of undertrial prisoners who constitute the real threat to peace and good order in the country. It may be found during this review that while some prisoners can be released straightway, others can be released on bail, with or without sureties.

The cases of convicts should also be reviewed to determine which of them can be surely released on parole with or without conditions.

Similar reviews may be undertaken on a state basis from time to time whenever the undertrial population exceeds the capacity in the prisons substantially.

#### National Policy on Prisons

The time has come when we must adopt a National Policy in respect of the Prison and Correctional Administration. The main elements of this policy should be as follows:

(1) A suitable system should be established for coordination among the judiciary, the police and the prison and correctional administration for the effective prevention of crime and treatment of offenders.

(2) The re-assimilation of the offender in society and the prevention of crime should be the principal goals for the Criminal Justice System. The goals of the prison administration will be the employment of all resources, human and material, to provide scientific treatment to every offender according to his peculiar needs and circumstances.

(3) The concepts of deprivation of liberty and segregation from society should be limited mostly to the habitual, the incorrigible and the dangerous criminals. Short-term imprisonment does not serve any useful purpose. The fullest possible use should be made of the various alternatives to imprisonment, as well as open prisons. Non-institutional or semi-institutional forms of treatment should be resorted to as far as possible.

(4) Simple imprisonment should be abolished as a form of punishment.

(5) Scientific classification of prisoners and diversification of institutions are essential for treatment programmes in prisons.

(6) Juveniles and young adults should be kept away from adult institutions. Institutions for them should be provided with special facilities for treatment and rehabilitation.

(7) There should be close coordination between the prison and the probation and other correctional services. The prison administration should be treated as an integral part of the Social Defence component of the national planning process.

(8) Free legal aid should be provided to all indigent

prisoners.

(9) The prisons should have facilities for work programmes aimed at equipping the offenders for return to society with skills to help in their socio-economic rehabilitation.

(10) The treatment services in prisons should include proper medical and health services, diversified education, vocational training, correctional social work in consonance with the social and criminal history, the physical and mental capacities and the length of the sentence of individual prisoners.

(11) The interests of prisoners and of vocational training should not be subordinated to considerations of financial gain from prison agriculture and industry.

(12) Prisoners should be provided with minimum facilities for a simple living with proper clothing and accommodation, segregation, personal hygiene, a balanced healthy diet, open area for exercise and recreation on accepted minimum standards and opportunities of communication with the outside world through a liberal system of interviews and correspondence.

(13) The prison administration should encourage inmate participation in institutional management in suitable areas such as sanitation, canteen, food and cultural activities to cultivate in the prisoners a sense of responsibility and participation.

(14) There should be a systematic periodic review to determine which offenders can be safely released prematurely, subject to specific conditions or otherwise. This may be coupled with a system of parole supervision.

(15) Undertrial prisoners should be lodged in separate institutions as far as possible and facilities should be provided to them for work on a voluntary basis.

(16) The prison administration should develop cadres of prison officers with basic academic qualification and specialised training in the theories and practice of correctional work and institutional management.

(17) Suitable pay scales, prospects for promotion, opportunities for professional growth and job satisfaction should be provided to the prison staff so that they may develop the image of an important social service.

(18) A humane, efficient and well-organised system of after-care and the rehabilitation of offenders should be a continuous part of the prison programmes.

(19) The Union and State Governments should declare unequivocally that there will be no bar or restriction on the employment of ex-convicts of specified categories in the public services after a due scrutiny of the prison reports certifying to their abilities and qualities.

(20) The prison administration should systematically involve enlightened individual citizens, associations, societies and other community agencies in the treatment, after-care and rehabilitation of offenders.

#### Alternatives to Imprisonment and Legislation Affecting Prisons

One of the first things that should be done to improve the situation in the prisons is to separate the remand prisoners from the convicts. For this purpose, apart from the net-work of sub-jails, some bigger custodial centres with adequate facilities to house undertrials should be developed at



suitable places where most of the courts are located.

The Indian Penal Code (Amendment) Bill, 1972 provides for certain new punishments, such as extenuation, payment of compensation to victims, corrective labour and public censure. These alternatives can be purpose-fully adopted by the Courts in India for certain categories of offenders, in keeping with their personality traits, economic back-ground and capacity to respond to various modes of correctional treatment. Where the home environment is good, the simplest treatment of admonition produces the best results.

Suitable provision should be made in the Criminal Procedure Code that fines imposed in criminal trials may be paid through compulsory work at Work Centres.

Release on probation, with or without supervision, is the most important, the most practicable and economical of the alternatives to imprisonment. The states which are still continuing with their own Probation of Offenders Acts or where no Probation Act is in force, should adopt the Central Act without delay.

It is necessary to extend the scope and usefulness of the system of releasing first offenders on probation to adult first offenders also, except in the cases of those convicted of heinous offences, in the same manner as is applicable to juvenile and adolescent first offenders.

Various forms of extra-mural treatment at Attendance Centres, Work or Training Centres, Weekend Detention Hostels or Camps etc. can be imposed as conditions attached to the probation order issued by the Court.

A system of corrective labour in Work Centres may be advantageously introduced for certain categories of offenders sentenced to short terms of imprisonment. Such corrective labour should be organized outside the jails, and not in jails, as proposed in the I.P.C. (Amendment) Bill, 1972. This could be done, where possible, in conjunction with national and public projects.

The system of compensation to victims should be made workable in the case of indigent offenders by placing them in Work Centres or by adopting the Swedish Day Fine System.

The age of criminal liability prescribed in the Indian Penal Code should be raised uniformly to 12 years.

Simple imprisonment as a punishment should be abolished, as indolence only harms the mental and physical health of the prisoners.

The Central Government may recommend the adoption of a uniform approach to parole by the States/UTs.

Children Acts should be enforced throughout the country and should be implemented earnestly to ensure that juvenile offenders do not have to come to institutions meant for adults.

Government of India should enact a special legislation to cover offenders of the age group 16-25 years for the Union Territories so that the State Governments would have a ready-made model legislation which they can adopt with suitable modifications.

The time has come for enacting a consolidated new legislation in place of the existing Prisons Act, 1894, Prisoners Act, 1900 and Transfer of Prisoners Act, 1950, which can open the door for progressive prison policies in tune with the latest thinking and practice all over the world. It is necessary that the Constitution should be amended to include the subject of prisons and allied institutions in the concurrent list; so that the new prison legislation can be enacted centrally for

uniform application throughout the country. The draft of such a legislation already before the Ministry of Home Affairs should be taken up for enactment as early as possible.

The housing of civil prisoners in prisons for convicts is not desirable. It may be examined whether any suitable alternative arrangements can be made for this purpose and also whether some system can be established whereby civil convicts can be made to undertake some useful social activity while in confinement, which can help them even in discharging their civil liabilities.

The enactment of a new Indian Mental Health Law should receive adequate priority. Pending such legislation, the State Governments should create necessary facilities for the observation, treatment, care and rehabilitation of all mentally sick persons so as to prevent such persons being sent to jails.

The States which have no Habitual Offenders Restriction Act should enact a suitable Law on the subject.

### Departmental Organisation and Co-ordination

The correctional services for the young adult offenders, probation and adult aftercare should be coordinated in one department and that the Inspector General of Prisons should be designated as the Director of Correctional Services also. The Department should continue in the charge of the Home Department at the Secretariat level. The administration of the Children Act and the institutional services relating to children, including juvenile delinquents, may be the responsibility of the Social Welfare Department. In filling the post of Inspector General of Prisons, special care should be taken that only persons with sufficient knowledge and suitable experience are considered, and if a suitable departmental officer is available, he should be given preference. States should create the necessary infra-structure for a change-over from custody to correction in the jail administration so that it may be possible for this administration itself to throw up persons suitable to head the department. The Inspector General of Prisons should be assisted by Deputy Inspectors General of Prisons; Directors of Probation, Youth Correction, and After-Care, Industries and Vocational Training and Agriculture; and Chief Officers of Prison Architecture and Buildings, Medical & Health Services, and Educational and Cultural Programmes.

A Planning, Research and Development Cell should be set up directly under the Inspector General of Prisons with research workers drawn from the disciplines of Psychology, Sociology and Social Work. This Cell will be responsible for the collection of the statistics required from time to time. It should undertake, on a priority basis, the work relating to the revision of the State Jail Manual.

An Organisation and Methods Cell should also be established under the Inspector General of Prisons to review the disposal of work load and to ensure efficient functioning of the organisational structure and its constituents.

Each State should divide its territory into suitable regions on the basis of the workload, problems, state of communications and other relevant considerations and place them under the charge of Deputy Inspectors General of Prisons with adequate administrative and financial powers and technical resources. The Regional Officers should liaise with the regional authorities of the other allied Departments,

for ensuring necessary cooperation in the smooth running of the departmental programmes.

The creation of a regional set-up may be necessary for the youth correction, probation and after-care services also.

All District Jails with an average population of 300 prisoners and upwards should be headed by a whole-time Superintendent of the Prison Service. Deputy Superintendents may be appointed in the Central Prisons and in District Jails which have an inmate strength of the level of Central Prisons.

The probation and youth and adult correction and after-care services need to be developed and rendered through whole-time officers, who are not burdened with any other duties. A planned and systematic improvement of the Sub-Jails all over the country should be an item of high priority in jail reforms. All Sub-jails should be provided with a full-time Superintendent of the Jail Cadre of appropriate rank and an adequate number of Warden staff for custodial duty.

The three-tier rank structure of the warden staff prevailing in most States is adequate. However, the States may provide intermediate promotion opportunities, with additional pay or special pay as considered appropriate.

At the middle level, the three ranks of Assistant Jailor, Deputy Jailor and Jailor should meet the needs of the supervisory administration in the jails, except that the Sub-jailors could well be integrated with the Assistant Jailors.

In the cadre of Superintendents, for normal postings and promotions, the existing three-tier system will suffice, reserving the posts of Deputy Inspectors General and Inspector General as selection appointments.

It will be necessary to arrive at a uniform pattern of rank structure by fixing the lowest level of Superintendent as a common denominator, integrating Deputy Superintendents, Additional Superintendents and District Jail Superintendents Grade II into equivalent categories. Promotions could be made from this grade to regular Jail Superintendents/District Jail Superintendents Grade I and later as Selection Grade Superintendents/Central Prison Superintendents. There should be adequate number of posts in the last mentioned grade.

The process of separating the executive and the clerical staff in the Jail Administration should be speeded up.

As regards technical and specialist positions, there should also be a three-tier organisation consisting of front line skilled workers with qualifications equivalent to the I.T.I. Certificate, middle level instructors with Polytechnic Diplomas and higher level Factory Managers or Work Superintendents or specialists like Medical Officers and Clinical Psychologists and Correctional Social Workers. At the higher level of specialists, it may be possible to get qualified men on deputation, since promotion avenues within the department would be limited. In respect of the others, it is necessary to streamline the positions, qualifications and promotion prospects on the basis of some reasonably satisfactory standards.

Jail industries should be supervised by technical hands consisting of trained factory supervisors and factory managers in the larger prisons. Similarly, agricultural operations in prisons require supervision and guidance by trained and skilled personnel.

Systematic programmes of education, vocational training and personality reconstruction of prisoners should be intro-

duced in jails under the supervision and guidance of specialised correctional staff.

Adequate incentives should be provided to the medical staff drawn from the State Medical Department, as service in prisons is more than ordinarily arduous.

A Committee may be set up in each district under the chairmanship of the District Magistrate consisting of representatives from the magistracy, the police, the judiciary, the prison administration and other official and non-official agencies engaged in correctional work to review the problems in these fields and to take suitable action as necessary from time to time.

Senior judicial officers should visit prisons as a regular part of their duties and make suitable recommendations in respect of individual inmates as they may consider desirable.

The Prison Administration should associate citizens and non-official social welfare agencies with the work of the treatment and rehabilitation of offenders in systematic and planned manner through the institution of jail visitors and otherwise.

The States which do not have State Advisory Boards for the Correctional Administration should constitute such Boards. A conference of the heads of the prison and correctional institutions and agencies should be held at the State level annually to help maintain a progressive outlook in the prison and correctional administration as a whole.

There should be an annual conference of the Inspectors General of Prisons, who will also become Directors of Correctional Services. This conference may be organised by the Central Bureau of Correctional Services.

The Government of India should take continuing and active interest in the development of the Prison and Correctional Administration in the various parts of the country. The best agency for this purpose will be the existing Central Bureau of Correctional Services. The man-power and financial resources of the Bureau should be suitably strengthened to enable it to act as an Adviser to the Central and State Governments in matters relating to the Prison Administration effectively.

The Central Bureau of Correctional Services can do more useful work if it is brought back to the Ministry of Home Affairs in which it was set up in the first instance as the largest amount of work being done in the country at present in the field of corrections is through the prison, Borsal and Probation services.

### Internal Administration in Prisons

It is the character, efficiency and the ability of the head of the institution which will determine the quality of the internal administration of a prison. It is necessary, therefore, that the need to strengthen the hands of the heads of prison institutions should inform all laws, rules and regulations relating to their administration.

Effective discipline among the inmates will be possible only if there is exemplary discipline among all levels of the staff of the prison establishment. It is, therefore, essential to train prison personnel of all ranks to be absolutely disciplined in spite of continuous contact with various kinds of offenders all along the line of their duty. If lapses are punctually taken note of and promptly dealt with and similarly, if good work is recognised with matching alacrity, it will have a telling effect

on the tone of discipline in the institution. For the rest, an honest and efficient administration, humanely and effectively enforced, can alone produce the highest standards of discipline.

The administration of a prison requires adequate authority to be vested legally in the head of the institution and the Department. The Prisons Act and the Prisoners Act make some provisions in this regard. Some of the old-time punishments, such as penal diet, whipping and putting in gunny clothing are inhuman. The law may be amended to abolish such punishments. At the same time, the legal procedure for dealing with prisoners, who commit more serious and heinous offences, with the assistance of the magistracy and the police should be spelt out more clearly in the Act.

The scales of diet suggested in the Model Prison Manual may require modifications to suit the climatic conditions and the food habits of the people of the various regions of the country. Cooking devices and utensils need considerable improvement. A degree of decentralisation in the cooking arrangements is also desirable in the bigger institutions. In addition, facilities for the storage of rations should be improved, wherever they are inadequate.

Well-trained stipendiary cooks should be employed in all prisons to supervise the work of the convict cooks.

All categories of prisoners should be allowed to wear their own clothing of prescribed patterns, provided it is clean and subject to good conduct in matters of discipline. The clothing issued at present should be reviewed in respect of quality, life and adequacy and changes as necessary should be introduced to ensure that it does not encourage the hardening of criminal propensities. The replacement of khadi by mill cloth, for ensuring greater economy and durability, may be examined by the states. Extra clothing, as necessary, should be provided in the hill areas and for old prisoners during winter. All prisoners should be issued with suitable footwear.

A schedule of standard equipment should be drawn up for the hospitals of all Central Prisons and District Jails, bearing in mind the appliances and facilities needed for diagnosis and treatment. The existing strength of the medical staff should also be increased to ensure that the patients are attended to regularly as necessary throughout the day and night on the pattern of emergency wards in regular hospitals. All prisoners should undergo a comprehensive medical screening on admission and periodically thereafter.

Well-planned recreation has a great value for breaking the monotony and relieving the morbid atmosphere of prisons and can be used effectively not only for the physical and mental well-being of the inmates, but also as a therapeutic instrument in the multi-pronged treatment programmes.

The provisions of the Jail Manuals relating to correspondence and interviews should be made more flexible, subject to suitable and unobtrusive arrangements for censorship and monitoring and the conditions under which interviews are conducted should be improved from the administrative as well as the humanitarian point of view.

Administrative and procedural delays often defeat the very purpose for which Jail Manuals make provision for the release of prisoners on parole, furlough, leave, etc. It is necessary that the powers of the Government with regard to the sanction of these facilities should be decentralised and

delegated to the Inspector General, the Deputy Inspectors General and the Superintendents of Prisons, as appropriate, to ensure timely and prompt decisions.

The provision of canteen facilities should keep pace with the changing food habits and the requirements of the inmates. The profits from the canteens, if any, should be utilised for the prisoners' welfare.

The convict warder system should be abolished and replaced by paid warders in a phased manner over a specified period starting with the abolition of convict warders. The phasing should be synchronised with the introduction of prison reforms as advocated in the report. However, the convict night watchmen may have to be retained so long as prisoners are lodged in association barracks and there is no adequate induction of scientific aids for ensuring security.

Undertrials may continue to be utilised for kitchen and other maintenance services in the separate institutions to be established for them as advocated in the report. However, stipendiary cooks should be employed for supervision in the larger institutions of this kind. It is not desirable to utilise convicts for such work in institutions for undertrials. Special arrangements for clothing may be needed in such institutions only in the case of prisoners who may be indigent and who may need extra clothing depending on weather conditions. There should be suitable arrangements in these institutions for medical care, correspondence and interviews and canteens.

The extent of remissions and the conditions and procedures for granting them should be made uniform and provided for in the new prison legislation.

The beneficent schemes relating to gratuity and wages should be introduced in states where such schemes are not in force at present.

The Panchayat system can be greatly instrumental in obtaining voluntary participation and adherence to healthy community living. The working of Panchayats should be limited to matters of self-improvement and purposeful community living and they should not be allowed to infringe upon the enforcement of the prison rules and regulations. Properly guided, the Panchayat system can be a powerful aid for maintaining good discipline in prisons.

The prison staff should be strengthened and trained not only to meet emergencies but also to deal with difficult prisoners effectively. Appropriate inter-communication and transport systems and special equipment like tear smoke and water-hoses should be introduced in all big prisons with a view to strengthen the security measures and to improve the operation of the staff during emergencies.

It is essential to devise an emergency scheme according to which the Jail Administration will be geared to handle smoothly large scale admissions in jails due to agitations. The scheme should envisage how provision should be made for the extra accommodation, staff, stores, facilities and equipment etc. that is required on such occasions.

The jail staff should be adequately trained to meet emergencies arising out of natural calamities and vandalism or other misbehaviour on the part of the prisoners. Regular standing orders and alarm drills to manage such developments should be prepared and approved well in advance so that none of these situations may plunge the jail administration into an unsettled state. To deal with such emergencies, it will be proper to have a small emergency reserve of personnel specially trained in the use of fire-arms, gas shells and

water-hoses. One advantage of having such a body of men will be that some of them can be used also for routine duties when there are large scale admissions.

### Recruitment and Training of Prison Personnel

Very special care and attention have to be bestowed on the selection and training of the staff who are to man the prison and correctional administration.

Direct entry into the Prison Organisation should be restricted to only three levels, viz., Warder Grade II, Assistant Jailor and the lowest level of the Superintendent's cadre by whatever name it is called.

The educational qualification for the lowest level may remain 8th class for the present, but S.S.L.C. qualified men may be recruited as far as possible and, in due course, when the States are in a position to bear the additional financial burden, the qualification of S.S.L.C. should be enforced with an attendant rise in the salary level to that of Junior Assistants in offices.

All direct recruitment to the posts of Deputy Jailor and Jailor should be stopped and these posts should be reserved exclusively for promotion from the lower categories of staff.

The direct recruitment quota in the category of Assistant Jailors may be fixed at 50%. The other 50% should be filled mainly by promotion from the really good men among the warder staff, who qualify in properly devised promotion tests, and partly by transfer of service in a modified system of direct recruitment with age limits relaxed, from among otherwise qualified members of the ministerial staff.

Direct entry at the level of the lowest rank of Deputy/Additional/Grade II Superintendent will also be for 50% posts. The candidates to be chosen should have post-graduate qualifications, preferably M.A.s in Criminology or in Social Work, including Correctional Work, or graduates with post-graduate diplomas in these fields. The higher posts will be filled only by promotion.

The procedure of selection by the Public Service Commission, both for the Assistant Jailor and Grade II Superintendents, should include a written test and an interview.

The development of basic and in-service training programmes for prison officers could be rationalised at three levels as listed below:

(i) Warders (Grade II), Warders (Grade I) or Head Warders and Chief Head Warders i.e. guarding staff, ground level and supervisory;

(ii) Assistant Jailors, Sub-jailors, Deputy Jailors and Jailors i.e. middle level officers; and

(iii) Deputy Superintendents, Additional Superintendents and Superintendents i.e. higher level executives.

It is desirable to reorganise the training of warders as an initial training instead of the in-service affair, which it is at present. Training institutions for the warder staff should be available at the state level. The curriculum for the basic training of warders should lay stress on the custodial and security aspects and include a substantial quantum of Drill, Musketry, Physical Training and Unarmed Combat, as indicated in the Model Prison Manual, along with a basic understanding of the purpose and methods of the correctional treatment of offenders. The duration of the course may be six months. The size of each batch will depend on the size of the state and the total strength of its warders. A practical

slant can be given to this training if the training institution is located close to a medium-size prison. Another basic training programme will be required for the middle level executive officers of the prison administrative structure. It will be appropriate to organise this training regionally. Three jail training schools already exist at Lucknow, Poona and Hissar. A Regional Training Centre for Prison Officers has been decided to be set up at Vellore for the four southern States. There is need of a similar institution in the eastern region of the country. Calcutta may be the most suitable location for this institution.

The syllabus of training for Assistant Jailors may be along the lines suggested in the Model Prison Manual, with suitable changes in the light of the experience gained in the existing institutions and in the field. The training programme should, however, have a predominantly practical orientation and be constantly revised and developed on the basis of current scientific research and evaluation of existing correctional programmes. The duration of the course may be one year and each batch may consist of 25 to 40 officers.

The initial training of direct recruits to the lowest rank of Superintendents will also have to be organised in the Regional Training Institutions mentioned above. The duration of the course for the higher level officers may also be one year and each batch should, if possible, not exceed 15 officers. Any attempt at state level training of these officers, without an institutional programme, can at best be an informal process, which cannot produce the desired results.

Generally speaking, no category of prison officials should be promoted to the next higher rank, without undergoing pre-promotion training. Nor should any member of the ministerial staff, however good, be posted to executive responsibility without suitable orientation training. These promotion/orientation courses, should be of short duration and cover not only the general features and requirements of custodial and security functions, but also the basic principles of classification, correctional treatment, work programmes and other procedures of reformation and rehabilitation, side by side with the particular responsibilities of the post which the trainee will be called upon to fill.

The changing patterns of criminality, lawlessness and connected attitudes among prisoners, make it essential that all guarding staff should be given refresher training after 5 years of service. A common refresher course for all such staff would do and promotions could be made from among those who have been put through such refresher training and tested for higher calibre of promotable material. The Regional Institutions for the middle and the higher level officers should also offer continuing education in the shape of refresher, advanced and specialist courses. In addition, officers selected for promotion will need to be put through special orientation courses before or immediately after selection. The training for promotion at the higher levels should be kept separate from the ordinary refresher courses. If the mechanics of the selection personnel for promotion are streamlined in such a fashion that it is possible to list all prospective candidates for promotion posts well in time, the organisation of pre-promotion institutional training for them can be greatly facilitated.

In order to avoid administrative inconvenience as also to ensure that the Prison Departments are able to derive full advantage from the various kind of training programmes that

may be organised from time to time, it will be necessary to provide an adequate training reserve in each grade of the prison cadre. This can be calculated by every state for itself.

Jail training institutions deserve to be planned and built to modern and scientific specifications, with appropriate lecture halls, discussion rooms, libraries, laboratories, workshops and other facilities. The older institutions should be assisted with financial grants from the Central Plan Funds to remodel and expand the existing buildings and to put up new ones. The newly-proposed institutions should be given outright grants to lay out their campuses straight away, according to the requisite standards. It will also be necessary to go in for modern teaching tools and connected equipment in a big way.

The best available talent in the field, both from the angle of character and of efficiency, with a flair for the communication of ideas and imparting instruction, should be chosen for the instructional staff, which have the responsibility of moulding the careers of impressionable young officers. Apart from securing the very best departmental officers, expert clinical psychologists, sociologists and criminologists as well as correctional social workers for individuals and group therapy, will have to be drawn into these institutions.

The problem of staffing is closely linked with the question of adequate incentives. While experts from the Universities and other academic institutions may normally come on a tenure basis, with some deputation allowance, Prison Officers who are selected on the basis of their merit and ability should be given not only financial compensation, but a term in such an assignment should be considered a special qualification for permanent service. These officers could also be given opportunities for training and study tours abroad.

The importance of the training of trainers cannot be over-emphasised. For this purpose, special courses on methods of instruction as well as on new developments in the field could be provided in the National Institute to which we shall refer hereafter.

Modern methods of assessment or performance of the participants in the different types of courses will have to be devised. This need not always comprise a series of end-of-course examinations. A multi-pronged and continuous process of assessment would be much better. The assessment of performance in the refresher course can help to determine suitability for promotion or for special assignments like posting to a training institution.

It will be necessary to have a small establishment to do some basic action-oriented evaluation and research in these institutions.

The facilities for in-service training available in the Tata Institute of Social Sciences, the Delhi, Baroda and Madras schools of social work and the Departments of psychology, sociology, criminology and social work in some universities and those provided by the Central Bureau of Correctional Services should be utilised by the States to the maximum possible extent.

The Government of India should consider the establishment of a National Institute of Correctional Administration as early as possible. Top-notch experts in the field should be collected together in this centre, so that it may be possible to secure the best training opportunities and guidance channels for the senior officers of the Prison and Correctional Services in India. The training programmes and

assessment procedures in this institution should be such as to enable the spotting out the best material to man the National Institute itself, apart from other important appointments in the field. It will, incidentally, serve as a general clearing house of ideas and coordinating centres of action programmes, by bringing together senior personnel of other connected departments for a better understanding of the objectives and procedures of modern correctional work.

The National Institute of Correctional Administration should organise orientation training courses and seminars for judicial officers, in particular, to acquaint them with the latest concepts of criminology and penology relevant to their work.

There is ample scope for international cooperation and United Nations technical assistance in the field of correctional training. Full advantage could be taken of the training courses available in the United Nations Institutes in Tokyo and Rome and in similar institutions of the Commonwealth countries. In due course, the proposed National Institute could extend its training and other facilities to the neighbouring countries under the Colombo Plan and other similar schemes of international cooperation.

### Service Conditions of Prison Personnel

It is essential that a qualitative improvement should be brought about in the attitudes and functioning of the prison staff. A fatigued staff subject to domestic and other worries cannot be expected to undertake any correctional and reformative work in the prisons. This will be possible only when properly recruited and trained personnel are available in adequate numbers and when they are reasonably happy and contented.

The service conditions should be related to the work to be performed, provide the necessary safeguards against the risks and handicaps involved in the profession, and afford to the personnel job satisfaction and opportunities for growth within the organisation.

There should be a well planned and properly regulated time table of work hours for every category of personnel.

The pay scales and allowances of prison personnel should be determined with due regard to their own particular responsibilities, the expectations from them, the minimum necessary to attract the kind of persons required and the provisions that are made for the only other somewhat analogous service, i.e., the Police.

The strength of each category of staff should be determined on an objective basis taking into account factors like reasonable hours of duty per day, the staff-prisoner ratio, the requirements of leave, sickness and training and promotion prospects.

The rank structure and promotional prospects in any service should be such that new entrants may, ordinarily, be in a position to look forward to at least two grade promotions in a service span of about 30 years. Promotions at all levels should go by seniority, subject to the rejection of unfit, from among the suitably qualified persons. At the lower levels, the suitability or otherwise for promotion is best determined on the basis of tests held before or after suitable courses of training. In the higher strata, such suitability can be assessed on the basis of the qualifications and experience acquired before and after joining the service and the record of performance as assessed from year to year.

In order to make the conditions of service in the prison establishment really meaningful for the lowest tier of custodial staff consisting of warders, head warders and chief head warders, the custodial cadre should be restructured to a ratio of 30:5:1. The process of reconstructing could be spread over a period of five years.

In states where the intermediate posts of Deputy Jailor or Jailor Grade II do not exist, a sufficient number of such posts should be created between Assistant Jailors and Jailors for dealing with specific responsibilities in the hierarchy. The promotional ratio for this middle tier could be 10:3:1.

The ratio 5:3:1 is suggested for regulating the cadre strength of Superintendents, Grade II, Superintendents Grade I and Selection Grade Superintendents.

Promotion to the posts of Assistant Jailors and the lowest grade of Superintendent should be based on tests/interviews by special selection boards, with the association of the Public Service Commission, as necessary.

The following facilities should be extended to prison personnel while they are on duty:

(i) Rest rooms for the use of staff members who are required to wait in the institution in between their duty periods.

(ii) Canteens.

(iii) Bath rooms and lavatories.

(iv) Lockers.

(v) First-aid facilities.

(vi) Torches and boots for night duty.

Suitable rent-free quarters should be provided for the staff required to live on the premises in the vicinity of the institution. Till such time as Government quarters are not available, staff members should be given adequate house-rent allowance. Messes should be provided for the staff accommodated in barracks. All housing arrangements should include facilities for games and recreation.

Adequate prophylactic and medical facilities should be provided to the staff and their families in the prison institutions.

The following facilities should be extended to the prison staff for the education of their children:

(i) Transport at Government cost or, in the alternative, suitable transport allowance in cases where the prison institution is located more than 5 kms away from the nearest school/college.

(ii) Hostel accommodation for children of transferred and other staff members. Where independent hostels cannot be set up, seats should be secured for the children of the staff in other hostels.

The Government of India should institute suitable medals for award to prison personnel for the recognition of bravery/meritorious service.

Necessary facilities for defence should be extended to the staff members in the event of criminal prosecution/civil proceedings arising out of bonafide discharge of official duty. Legitimate protection should also be extended to personnel in matters related to the recovery of damages for bonafide delays, bonafide error of judgement etc.

Suitable provisions should be made for the grant of extraordinary pensions in cases where members of the custodial staff die or are disabled in the discharge of their duties.

A welfare fund, developed from monthly subscriptions from the staff, voluntary donations, interest accruing on in-

vestments, benefit performance by artists, theatrical parties, cinemas etc. should be created for providing help and amenities to the prison staff and their families. The State Governments should make matching contributions to the Staff Welfare Funds.

The benefits to be provided to the personnel and their families out of the Welfare Fund should include medical aid where more than ordinary medical help is required and is beyond the economic capacity of a staff member; aid for the higher or technical education of children; facilities to the family members of the staff for running cottage industries and handicrafts like sewing, spinning, cottage match manufacture, etc., and exgratia payment on the death of a member while in service.

At the institutional level, monthly staff meetings should be held, in which the members should be given opportunities to discuss their welfare problems.

### Classification of Prisoners and Diversification of Institutions

Scientific classification should be introduced in our prisons for all convicts sentenced to imprisonment for one year or more. The Superintendent of the institution should serve as the Chairman of the classification Committee. Its members will include the Deputy Superintendent, the officers in charge of education, Vocational Training and Work Programmes, the Medical Officers and the Correctional Social Worker. Experts like Psychiatrists, Psychologists, etc. should be associated with classification committee even if they are appointed only on a part-time basis. The prison officer in charge of the Classification Unit should serve as the Secretary of the Committee.

The Central Bureau of Correctional Services should work out in consultation with the Bureau of Police Research and Development and appropriate experts, a sound system of the compilation of relevant information about prisoners by the police, probation officers, courts, employers and local authorities, etc. for circulation to the States/Union Territories.

The prison system should broadly classify and assign prisoners to different institutions.

Prison institutions should be diversified to provide for separate facilities for children, young adults, non-habitual offenders, habitual professional and organised criminal offenders who are difficult discipline cases, women offenders, offenders suffering from mental disorders, old and infirm offenders, leprosy and T.B. cases and undertrial prisoners.

Minimum security open institutions should be developed in the states which do not have such institutions at present in adequate numbers.

States with large prison population may expand and upgrade some district prisons to central prisons so that all prisoners with sentences of over one year could be placed in central prisons, as far as possible.

### Treatment Services and Work Programmes in Prisons

Apart from physical examination and treatment for common ailments, coupled with opportunities for specialist treatment in the civil hospitals, a prison medical department should constantly attempt to remedy defects that may have a

direct bearing on the prisoners' behaviours. Attitudinal and behavioural transformation is a difficult process and requires the induction of psychologists and psychiatrists in the prison administration. Psychiatrists and Clinical Psychologists should be appointed on a whole time basis in all the Central Prisons and on a part-time basis in the larger District Prisons.

Formal, social and moral education is indispensable in the process of treatment. Audio-visual methods and the mass media could also be mobilized for imparting formal education in prisons. There should be a daily routine of formal education in the programmes of the prisoners needing it. This part of treatment should neither be optional nor an additional activity at the end of the working day or in the evening. It will be necessary to make adequate arrangements for textbooks, class rooms and trained teachers, for this purpose. Libraries, daily newspapers, magazines, outside lectures, debates, recreation, sports, observance of national events and festivals, and symbolic functions based on our historical and cultural traditions can contribute a great deal to widening the horizons of the prisoners.

A suitable programme of vocational training should be drawn up for each prisoner and he should be assigned to production programme only after he has acquired the minimum basic skills required. Long-term prisoners should be given opportunities for learning multiple skills. This will help them in their rehabilitation and resettlement in society.

The educational and vocational training programmes in jails should be developed on the standards and requirements laid down by the state education and technical education departments. The training received in jails may have to be continued in after-care institutions after release with a view to obtaining recognised diplomas or certificates. Besides, the standard recognised courses, condensed courses, which may get some degree of broad recognition from the concerned departments, can also be evolved for prisoners.

There is a positive contribution to be made by the professionally qualified correctional social workers in the treatment of prisoners. The antisocial attitude of the offender has to be unravelled and opportunities provided to him to understand his own drawbacks and create in himself a desire to learn a new way of life.

Group methods enable a larger coverage by the treatment services and promote the active participation of different levels of staff in group discussions and other programmes. The programme of scouting, which aims at achieving a wholesome growth of human personality and character, can be organised purposefully in prisons.

All prison personnel, including the security staff, should be motivated to contribute consciously, even if in a limited way, to the treatment process, as there is no conflict of goals among the custodial and correctional personnel working in prisons.

The question of providing adequate and useful employment to all prisoners who can be employed should receive serious consideration in the reorganisation of the prison administration in India.

The work programmes should be integrated with and serve as extensions of the treatment services provided in prisons, instead of being a means simply of utilising the labour of prisoners as exigencies permit or require.

Prisoners sentenced to imprisonment of less than one

year may be utilised partly in the maintenance services in prisons and partly on prison farms wherever they may be available. The Inspector General of Prisons should decide the number of such prisoners who should be retained in different prisons. All other short-term prisoners sentenced upto one year may be transferred to Work Camps which should be organised in each State, as necessary, in coordination with the Public Works, Irrigation and Forest Departments.

Prisoners sentenced to imprisonment for periods of more than one year should be given work on the basis of their classification and treatment. This will have to be provided in three broad areas, i.e., industry, agriculture and maintenance services.

It is high time that the outmoded conventions and practices, on the basis of which prison industries and work programmes have developed, are replaced by modern management techniques.

Most of the existing prison industries are outdated and should be modernised as speedily as possible. Each state should evaluate its prison industries with a view to improving the work methods and the range and quality of the goods manufactured with a view to providing adequate employment to prisoners and also modernising the training programmes in prisons.

The reorganisation of prison industries and vocational training programmes should be integrated with the allied Plan schemes. Priority should be given to such industries and vocational training programmes as would equip a prisoner to get job after his release from prison.

In the larger states, prison industries should be diversified on a regional basis. Each region should have a sufficient variety of prison industries, so that prisoners can derive advantage from diversified work programmes. The central and district prisons should be treated as basic units for programmes of diversified industries.

Prison industries should be classified as principal and subsidiary industries. In central prisons, both principal and subsidiary industries can be organised properly. In district prisons, it may be possible to set up only subsidiary industries. Handicrafts could be ancillary activities to principal and subsidiary industries.

The following priorities are recommended for prison industries:

- (1) articles required for the maintenance of prisoners;
- (2) articles required by the Prison Department, other State Government Departments, Central Government Ministries/ Departments such as Railways, Posts and Telegraphs etc., and autonomous bodies, municipal bodies, cooperative societies etc;
- (3) handicraft articles which have a local and/or outside market; and
- (4) articles for public sale.

Prison industries should be planned in terms of adequate monetary provision, physical facilities, full utilisation of manpower, availability of raw materials, equipment and stores and an efficient management organisation for production programmes, sales and disposal.

Prison industries should be planned at three levels, i.e., in government departments which are expected to place orders with the prison department, in the office of the Inspector General of Prisons, and in each Central and District Plan.

Prison products should be standardised in terms of



specifications, patterns, designs and quality of products, type, quality and quantity of the raw materials required, equipment, tools, accessories and consumable stores required, unskilled, semi-skilled, and skilled manpower required for each operation, and wages to be paid to prisoners for the separate operations involved in each type of product or job. Catalogues of standardised prison products should be prepared for each prison industry to help in organising sales.

The present work programmes in prison industries should be evaluated by experts in work study methods with a view to putting them on a sound economic basis.

A definite wage policy should be adopted for prison labour. A more liberal system of wages based on market rates minus the computed cost of maintenance should provide a greater incentive for higher and better production.

A Depreciation Fund should be set up for prison industries by ploughing back the profits from prison industries.

The following facilities should be provided in work sheds and places where prisoners work: protection from heat, cold, rain, dust, smoke, fumes, gases and chemicals; damp-proof work areas; drinking water; spittoons, urinals and latrines; washing facilities; and first aid facilities. In addition, safety and fire-fighting equipment and accident and fire prevention measures should be provided in prison stores, work-sheds and areas where prisoners work.

As agriculture is the mainstay of villagers and as more than 80% of the inmates of our prisons hail from the rural areas, agriculture should be treated as an important industry offering good employment opportunities for prisoners of this category.

A survey of all prison farms should be undertaken at the state level in respect of nature of soil, irrigability, crop producing ability. Cropping schemes should be prepared for each farm thereafter. The irrigation potential of prison farms should be fully utilised for increasing production. The requirements of labour for each farm should be assessed. It should be ensured that this labour is always available, so that the production in prison farms can be continuous. Adequate funds should be provided for modernizing prison agriculture, by integrating it, in some suitable way, with the Five Year Plan Schemes. The performance of each prison should be annually evaluated. Every state should have a few prisons where emphasis should be laid on agriculture. Some of the prisons can be semi-open or open prisons.

Dairies should be developed on prison farms where they can be run on a profitable basis. Prison farms and prison dairies should be utilised for imparting training to prisoners in improved methods of agriculture and dairying. Agro-industries could also be developed in prisons, wherever the facilities required are available.

It should be ensured that prisoners are not employed on maintenance services at the cost of their treatment.

Many women offenders have to pass their time idly in prisons. Separate institutions for women offenders will enable special attention to be paid to their employment in crafts such as tailoring, hosiery, bidi-making, manufacture of stationery articles, etc.

The daily routine for young adult offenders should include two hours of academic education, one hour of vocational training and five hours of works in production units. This work experience should be combined with on-the-job or apprenticeship training. Employment in crafts, trades and industries should be aimed at helping them to get employment after their release from prison.

#### Review of Sentences, Premature Release and After-care

The general policy and the procedure for the review of sentences should be simplified and made uniform in all the States/Union Territories of the country. The Model Prison Manual contains provisions for review of sentences which may be followed. The general policy may be reviewed in the light of experience every five years.

We agree with the provisions of the Model Prison Manual as regards the categories of prisoners who should be considered eligible for review, except that, we feel that the aggregate substantive sentence for eligibility for review may be 3 years or more in the cases of well-conducted, non-habitual adult offenders also and their cases may be reviewed after they have undergone half of their substantive sentences, inclusive of remission.

Every State/Union Territory should constitute one or more Review or Advisory Boards depending upon its size. This review should be made on the basis of a Review File to be maintained for each eligible prisoner.

The Board should examine the Review Files and may recommend deserving prisoners for premature release or order that the case should be reconsidered after a specified period or recommend alternate measures of treatment in respect of individual prisoners.

Welfare officers should be appointed in all jails at the rate of one for 200 prisoners. It should be a part of the duty of these officers, in coordination with after-care agencies in the field, to organise pre-release programmes for prisoners who are due for release in the next six months and getting them ready for release in all respects. These programmes could include broad-based efforts of systematic counselling and occasional lectures or interviews by suitable persons from the After-care Services and voluntary agencies like the Discharged Prisoners' Aid societies. Official and non-official efforts should be planned purposefully for organizing pre-release programmes. It will be necessary to set up in every major correctional institution a case-review committee to consider periodically as to what type of help will be needed by particular prisoners on their release.

After-care assistance should not end with some moral advice on how to behave after release. Well-planned after-care services may provide any of the following options to the



prisoner and his family:

(a) Timely financial assistance. The scheme should be flexible not only as regards the procedure for securing financial assistance but also as to its range so that it may meet the needs of a variety of prisoners.

(b) Job placement by issuing of certificates about the proficiency acquired by prisoners in particular crafts or vocations during their stay in prison and also about their character and conduct. It will be helpful if the proficiency certificates could be issued by the Technical Education Directorate or the Directorate of Training and Employment so that it may be free of any stigma and there may be no doubt as to the standard achieved by the holder.

(c) Placement in a job or economic rehabilitation in advance. The job placement can be done in collaboration with the local employment authorities, who should be associated with the case review committees. The prison welfare and after-care officers should keep in regular contact with such agencies in order to create a social awareness about the needs of released prisoners. The Ministry of Home Affairs, Government of India have issued meaningful guidelines to the States regarding the eligibility of ex-convicts for appointment under Government. It is essential for the success of this scheme that a periodical appraisal of its implementation should be made by the Inspector General of Prisons.

There is need for an officially sponsored autonomous after-care agency in every district and at the state level. Residential facilities in an after-care hostel or home may be required for a good number of released prisoners. Separate units of this kind will be needed for boys, men, girls, and women. It may be useful to have small workshops attached to such institutions to keep those inmates occupied who may not find jobs immediately.

The follow-up of every case discharged from prisons for a specified period should be laid down in the Prison Manuals. The institutional records relating to prisoners should be maintained for a specified period. The probation service operating in the open community should provide the necessary liaison with the prison authorities.

Along with the State level After-care Association, there will be need for a federating agency at the nation level to facilitate the exchange of information, views and experience and to give financial assistance.

The bulk of the financial resources required will have to come from funds placed at the disposal of the prison departments at the State level, directly or through departments responsible for education and employment, as after-care is a legitimate responsibility of the State. As an essential welfare service, new schemes in this direction could be sponsored and financed under the Five Year Plans. However, the officially-sponsored District and State level after-care agencies should also raise funds through non-governmental source. The ex-prisoners lodged in hostel or homes, while earning, can be expected to pay a part of their income to the agency. The Central Social Welfare Board and the National

After-Care Federation should also make available some ad hoc grants to non-official after-care agencies for specific purposes.

## Prison Architecture and Buildings

It is understood that the Ministry of Home Affairs are contemplating the appointment of an ad hoc Committee consisting of architects, engineers, etc. to examine the building needs of the prisons, lay down minimum standards in prison construction and prepare type designs, plans and estimates for prisons of different categories. Such a working group may be appointed as early as possible. It is desirable that one or two Inspectors General of prisons of the states and correctional experts may also be included in the working group. The group may examine the plans for new prison buildings that may have been prepared in the state since Independence.

The siting, design and construction of prison buildings should be changed to suit the requirements of the modern penal philosophy of correctional treatment.

While planning a new unit of prison buildings, the prison administration should give close attention to the following points before conveying the needs to the architect and the engineer in concrete terms:

(i) The functions which the proposed unit will serve, i.e., whether it will be a sub-jail, district jail, central prison, special institution for a specified category of prisoners, etc.

(ii) The number of the prisoners and staff to be accommodated in the unit.

(iii) The security risk categorisation of the prisoners in question, i.e., whether maximum, medium or minimum security to prisoners.

(iv) The classification of the various categories of prisoners to be housed in the unit.

(v) Type of work and training programmes proposed to be organized in the unit.

The building design should combine the security needs with functional utility and provide an atmosphere which may promote work efficiency as well as harmonious relations between the staff and the prisoners and among the prisoners themselves.

We are in broad agreement with the minimum standards for prison accommodation and buildings laid down in the Model Prison Manual. Central prisons should be located on the outskirts of cities. Prisons for remand and undertial prisoners should, as far as possible, be located near the trying criminal courts. The population of a Central prison should not normally exceed 750 and of a District Prison 400. No dormitory in any of these prisons should have more than 60 inmates. Sleeping barracks should have per head of inmates 50 sq ft of ground space, 12 sq ft of lateral ventilation and 500 cubic ft of air space. These may vary according to

climatic conditions. The overall area of accommodation per individual within the prison walls may be raised from 75 sq yards to 80 sq metres.

There should be adequate space outside the perimeter wall of the prison on all sides, preferably astride an outer security road, to a distance of about 45 to 70 metres from the wall, in order to ensure effective security by preventing unplanned, unhealthy and annoying encroachments coming up too close to the jail wall and also to make available sufficient open land for fresh air, exercise and agricultural programmes.

The administrative buildings should in future have, besides the office rooms, a conference room and an administrative staff room, a control room with telephone, wireless and electronic alarm systems, connecting all units on the premises and also the offices of the Inspector General of Prisons, the District Magistrate and the Superintendent of Police outside. An improved interview room with minimum facilities should be provided in the administrative block. Suitable buildings should be provided for the reception and classification units and for the individualised treatment of the inmates through diversified educational and work programmes. The hospital should have attached rooms for psychiatrists and other specialists, besides a properly equipped clinical laboratory. No single prison kitchen should normally be required to cook and cater for more than 300 persons. Flush latrines should be available in each sector and cell and each barrack should also have flush latrines for night use. There should be adequate provision for water supply and electric lighting. Fire fighting and emergency requirements and devices should be built into the plan of the buildings. The future programme for prison buildings should have the following order of priorities:

(i) Repairs, renovation, and provision of modern amenities for sanitation, water supply and electricity in all existing prison institutions.

(ii) Provision of adequate staff quarters in all prison institutions.

(iii) Construction of new units of suitable sizes close to trial courts for remand prisoners and undertrials beginning from places where there is heavy and continued pressure on existing prisons on this account.

(iv) Construction of special institutions for young adult offenders, women, etc. as recommended in this report.

(v) Construction of new buildings for prisoners accommodated in old improvised structure not intended originally for the purpose of housing prisoners.

The major thrust in the prison administration should be on the provision of more and more medium and minimum security and open institutions, including work centres and camps.

#### Order of Priorities for Prison Development Schemes

The question of priorities in prison development

schemes may be considered on the basis of blocks of recommendations with priorities within each block. The recommendations in each block should be considered for implementation simultaneously.

The highest priority should be given to the adoption of a national policy on prisons with the inclusion of certain aspects of the prison administration in the Fifth Five Year Plan. The amendment of the constitution to include the subject of prisons and allied institutions in the Concurrent List, the enactment of suitable legislation by the Centre as well as the states, the establishment of a National Institute of Correctional Administration, the reorganisation of the prison departments in the states/union territories as recommended earlier, and the revision of the State Prison Manuals.

A one time review should be carried out in 1974 with a view to the release of a substantial number of undertrials of specified categories and also a proportion of convicts. This should be accompanied by a State-wide survey and the preparation of plans for the construction of custodial institutions for housing undertrials close to the courts. A suitable machinery should be created thereafter for introducing a scientific classification of prisoners and the modernisation and development of treatment services and work programmes as recommended earlier.

Work Centres and Camps may be set up in a planned manner. Probation services should be developed to the extent required on a priority basis. At the same time, the internal administration in the existing prison institutions may be improved as recommended earlier.

The recommendations with regard to recruitment and training contained earlier should be implemented with high priority. The most important of these relate to the establishment/ improvement of jail training institutions and the organisation of basic, refresher, promotion and specialist courses therein. At the same time, the conditions of service of the prison staff should be reviewed and the construction of adequate residential accommodation for the staff close to prison institutions should be undertaken within a fixed time-frame of say not more than 5 years. Yet another aspect of the development of prison services will be the introduction of specialists like psychologists, psychiatrists, trained correctional workers, etc.

Recommendations relating to remission, parole, premature release and pre-release and after-care programmes may be implemented as a separate block.

The other components of the building programme of the prisons indicated earlier should also be taken up systematically so that the existing prison institutions are repaired, renovated and improved according to requirements and new institutions are built for special categories of inmates like young adults, women and the mentally ill offenders as early as possible. At the same time more open prisons should be set up in states where their number, at present, is inadequate.

# EXPERT COMMITTEE ON LEGAL AID, 1972.

## Report on Processual Justice to the People. Delhi, Controller of Publications, 1974, 275p.

Chairman: Justice V.R. Krishna Iyer

Members: Dr. L.M. Singhvi, Shri Jai Sukh Lal Hathi;  
Shri M. K. Ramamurthi, Shri D.P. Singh; Shri Harish  
Chandra; Mrs. Lakshmi Raghuramaiya; Dr. N.R.  
Madhava Menon; Shri Gopi Nath Dixit; Shri Kanwar Lal  
Sharma.

Member-Secretary: Shri P.B. Venkatasubramanian.

### APPOINTMENT

The problem of making legal aid and advice available to the community has been under consideration of the Government of India which has come to the conclusion that it is desirable to appoint an expert committee to go into the matter. The Expert Committee on Legal Aid was Constituted by the Government of India, Ministry of Law and Justice (Department of Legal Affairs) Vide its Order No. F. 6(10)/72-J dated October 27, 1972.

### TERMS OF REFERENCE

i. to consider the question of making available to the weaker sections of the community and persons of limited means in general, and citizens belonging to the socially and educationally backward classes in particular, facilities for:

a. legal advice so as to bring among them an awareness of their constitutional and legal rights and just obligations and for the avoidance of vexatious and unnecessary litigation, and

b. legal aid in proceedings before civil, criminal and revenue courts so as to make justice more easily available to all sections of the community;

ii. to formulate having regard to the resources available a scheme for legal advice and aid for the purposes of aforesaid; and

iii. to recommend the time and manner in which the scheme may be implemented.

### CONTENTS

Introduction; The constitutional position; Towards People's law and a People's Law Service; the Vistarama of a Wilder Jurisdisicare for India; The Scope for Legal Aid; Legal advice—Non-Litigation Aid and Prevention of Litigation; Legal Aid in Civil Proceedings; Legal Aid for the Working Class; Legal Aid in the Supreme Court; Legal Aid to Special Groups and Special Areas; Panchayati Justice and Legal Aid; Miscellaneous Forms of Legal Aid; Legal Aid and Law Schools; Research, Law Reform and Evaluation; Communication and Training; Legal Aid and Legal Profession; The Role of Voluntary Agencies; Means test in Legal Aid;

The Organisation of Legal Aid; The Administrative set-up; Financial Aspects; A phased Programme; Conclusions; Epilogue; Appendices from A to C; Summary of Recommendations.

### RECOMMENDATIONS

#### THE CONSTITUTIONAL POSITION

Competence of Parliament to make a law on the subject

Entry 3 of List II (Administration of Justice) connotes only the apparatus and machinery for the enforcement of legal rights and liabilities. Even the entire legal process is not totally covered by the Entry. The Entry mainly deals with enforcement, covers only one stage of legal aid, namely appointment of counsel in conventional civil and criminal proceedings in the orthodox courts.

However widely one may interpret Entry 3 of list II (see State of Bombay v Narothamdas Jethabhai, A.I.R. 1951 S.C. 69, 70). It cannot cover pre-litigative and preventive legal aid, including advice on legal issues, drawing up of documents etc.

'Legal Aid' is an integral part of the legal system—not a matter of charity or confined to the four walls of the court-building. Several entries in the Legislative lists touch legal aid.

(List I—Entries 77, 78, and 97; List II—Entry 3; and list III—Entries 2 and 13, 20, 23, 24 and 26.)

'Legal Aid' can be related to the entire legal system and this would bring it in the concurrent list, or at least make it transcend the State list. Obligations are cast on the legal profession—relatable to list III, Entry 26 and list I—Entries 77 and 78.

Central Government can also make grants for the purpose of legal aid under Art 282.

Parliament can, therefore, make appropriate provision for a comprehensive scheme of legal aid.

A comprehensive scheme of legal aid must involve the States financially and administratively.

Towards a people's law and a people's Law Services—  
The Underlying Concepts

The proposed statute: what it should provide for

State funding and statutory incorporation should be the backbone of the project. The state should provide for the creation of a national legal aid body to stimulate, guide and perpetuate organised free legal services. It should be statutorily insulated from official or party pressure—should not have a government scheme only.

To create networks of legal aid groups, centred in court-houses, bar associations, law schools, community organisations, a variety of rural private and public agencies, organs of local government and ad hoc panels of private lawyers, is a major recommendation of our report.

A second aspect is the need to reform and revise our laws and procedures courts and prisons, the Bar and the Bench, police and public servants to make them more responsive to all citizens. It is the need to modify our curricular of legal education. It is the need to create means of dispute settlement which are rapid, inexpensive, honestly performed and which utilise concepts and a vocabulary which is native. Modification of the Cr. P.C. and the C.P.C., in the light of drafts already submitted to Parliament, may be early legislative priorities.

The regulations to be formulated by the State and Central legal aid bodies will not constitute a uniform format for the entire country, but rather a broad range of options covering the forms of local organisation and control, the services and financial and other incentives that may be provided to advocates and legal aid personnel.

The governing bodies of the local legal aid cells should include representatives of the potential recipients of service, representatives of those who provide the legal aid, as well as of relevant mass organisations

#### Constitution of the National Authority

The need for autonomy for legal aid bodies may be best met by the statutory creation of a National Legal Services Authority— insulated from rigid official controls. Institutional accountability to Parliament and the public would, however, be necessary.

Constitution of the National Body: Honorary President— Chief Justice of India: judges to be on the governing boards; a separate executive chairman as Director General of legal services who may preferably be an eminent person in the field of advocacy with social service and administrative experience; Chairman of Bar Council of India to be ex-officio member; one or more representatives from State Legal Aid Boards; Finance secretary and Secretary of administrative Ministry concerned with legal aid, as ex-officio members and some MPs; President of All-India Law Teachers' Association as ex-officio member; Representative of an all-India body engaged in social work; A woman Social Welfare Worker; Two student office-bearers from Law schools; Representative from institutions engaged in research work; Representatives of Scheduled Castes & Scheduled Tribes; Representative of Labour; there should be a full-time secretary—a Law man with a social scientist's background.

The National Authority would be responsible to Parliament and the public through periodic independent audits and annual reports to the Houses, public availability of records and through other measures.

A public sector in legal profession is a benignant potent and is part of the legal aid movement

Government and the public and private sectors must be willing to set a ceiling on the fees they pay to advocates drawn from the private Bar, Law schools and Law Students. It is vital.....that we introduce clinical legal education in our law schools with an accent in socio-economic poverty. Such direct student participation in handling the legal problems of

the indigent clients is potentially one of mutual benefit to the student, to the legal aid scheme, and to the whole system.

The recommendation is to include student legal aid work, including representation in court.

This will be done under supervision by practicing lawyers as well as law teachers.

#### Legal Aid's Clients

##### High Court Bench in Andaman & Nicobar

In the Andaman and Nicobar group of islands, subsidised travel for legal aid lawyers, and High Court Benches sitting with realistic frequency, is worth considering.

Legal guidance will help poor villagers who cannot go to towns and big legal opinion at high cost.

Agricultural workers are, by and large, unorganised and, therefore, exploitable in the absence of moral boost in legal advice and aid. Progressive legislation has proved illusory as they have remained ineffective in execution.

##### Procedure on Labour matters to be changed

The conciliation procedures, the labour courts, and the industrial tribunals require overhaul and renovation as recommended by the National Commission on Labour. Legal assistance at State expense for workers and dependents in proceedings under other labour welfare statutes is a 'must'.

Substantive and procedural legal aid to women in civil and criminal matters is a 'must' even regardless of the means of the affected persons.

We need a cadre of properly oriented and trained police and judicial personnel for the proper treatment of young offenders.

##### Treatment of Young offenders

Another suppressed social group in need of legal aid is the Harijans, Minorities.

##### Reform of the Administration of Justice

##### Financial inputs

The experience in 'civil' legal aid suggests that most of the 'poverty' litigation pays itself. In the matter of Scheduled Castes and Tribes the State has always been willing to spend on full legal aid coverage. A suitors' fund..... must be tried in due course. The public sector in the profession and voluntary organisations will receive public contributions. Labour may be eligible for free legal aid financed by the industry itself. When the student legal aid clinics become numerous a proportionate lessening of the legal aid cost will be the consequence.

##### Free Counsel for warrant cases as well

As for the criminal process, even now free counsel in sessions cases is provided in some parts of the country, and its extension to warrant cases will not add onerously to the outlay.

## Reduction of court-fee and institution of a Suitor's fund

Something must be done to arrest the escalating vice of burdensome scales of court-fee. There is strong case for reducing court fees and instituting a suitor's fund to meet the cost directed to be paid by a party because he is loser but in the circumstances cannot bear the burden.

## Social Sympathies of judges and police

Selection of candidates for judicial and police posts should focus on their social sympathies.

## Simplification of sentence procedure

Provisions similar to section 101 of the Motor Vehicles Act may usefully be introduced in other local laws also.

## Mobile Courts for Minor offences

Mobile courts for trying minor offences on-the-spot will be a boon to the poor and to all citizens.

## Summary trials

Provisions regarding summary trials will help dispose of petty cases quickly and with less expenses.

## C.P.C. to adopt conciliation procedures.

Our C.P.C. should encourage conciliation processes and settlements of disputes without detailed litigative stages.

## Small cases courts

Legal formalities must be cut down to the minimum. Pleadings may be informal.....the judge must be the activist at the trial and not counsel, three stage examination being available and detailed judgement a superfluity.

It is very necessary to devise a statutory method by which the police will look into small complaints without a detailed process of investigation.

## Nyaya Panchayats

The Nyaya Panchayats must be entrusted with wider powers as part of the programme of local and low cost justice.

## SCOPE OF LEGAL AID

### Legal aid and advice

The concept of legal aid is sufficiently wide to include advice. State will have to exempt the assisted persons from all expenditure on process fees, witnesses etc.

If a person and the particular proceedings otherwise qualify for aid, it should not make any difference whether this is to be calculated as civil or criminal proceeding or a proceeding before any authority or tribunal.....This would include proceedings before the High Courts in the exercise of their constitutional writ jurisdiction.

## Tests for grant of legal aid

### Three tests for grants of legal aid

1. Means Test'.....Indigence
2. Prima facie case
3. A social purpose should be served by filing the suit or defending it.

### Exceptions

Legal aid is not to be tendered to artificial persons except in cases of trade unions and co-operative societies.

Legal Advice—— Non-litigative Aid and Prevention of Litigation.

We would place the furnishing of competent legal advice in the forefront of any scheme of legal aid.

The giving of legal advice would be the function of the Taluka Legal Aid Committee or its equivalent.

Requests for advice should be made to the secretary of the committee who must be available at times which do not interfere with a typical applicant's working day. He may give advice himself or refer the applicant to an advocate specialising in the particular problem area.

In giving legal advice, senior law students may be useful in ascertaining facts and interviewing clients. Similarly, the services of retired judicial officers will be most helpful.

The decision as to whether legal advice will be rendered completely free or for a specified fee may be made based on a statement by the applicant of the particulars of his income. The general means criteria will apply.

Fee to be charged from all who seek legal advice except those who are absolutely destitute may range from 25p to Rs 5 in the mofussil and Rs 10 in bigger cities for each consultation. Those who have the means can consult provided they pay full fees, like some Govt. hospitals.

Properly drawn up document and advice in drafting are an essential constituent of any scheme of preventive legal aid.

### Settlements

The legal aid machinery should be encouraged to promote conciliation and settlement, rather than litigation.

### Legal Aid in Civil Proceedings

#### Extension of jurisdiction of Panchayat Courts

It may be necessary to provide alternative forums for the disposal of claims of relatively smaller value when it is not necessary to investigate questions of title. For this class of cases we would favour an extension of the jurisdiction of the Panchayat Courts.

Establishment of special forums like Motor Vehicles Claims Tribunals should not be optional. It should be obligatory on the part of State Govts to establish them and ad valorem court fees should not be charged in such cases.

#### Amendment of orders XXXIII & XLIV of C.P.C.

Order XXXIII & order XLIV of C.P.C. should be amended so as to enable a court to assign a pleader at the

expense of the State for a person suing as an indigent person. Equally so for an indigent person who is a defendant.

Recommendation that legal aid should not normally be given for the institution of any proceedings for divorce or judicial separation or for the custody of children, unless an attempt has been made by the Legal Aid Committee to effect, if possible, reconciliation between the parties, and the aforesaid person agrees to a reasonable settlement.

#### Reference to arbitration when both parties are indigent

If in a case before a court both parties have obtained legal aid, court should not hear it but refer it to arbitration unless the issues involved are too complicated. Either the court or the parties may choose the arbitrator. If party insists on being heard before the Court and refuses arbitration, the legal aid may be revoked. The law should accordingly be modified.

#### Writ proceedings

We feel that the rules with regard to the grant of aid for the institution of a suit should also apply to the institution of proceedings under Art 226 of the Constitution. If the State Legal Aid Board is satisfied that the circumstances of the case are such as would warrant the moving of the Supreme Court under Art 32 in preference to moving the High Court under Art 226, it may for special reasons grant a certificate to that effect.

Fee certificate is to be dispensed with. Cost awarded in favour of the Legal Aid Committee may also be made recoverable as arrears of land revenue.

After a legally aided person has been successful the assistance should be continued at the stage of execution.

#### Amendment of Provincial Insolvency Act

Amendment to Provincial Insolvency Act to provide that non-payment of decree amount by judgement debtor would be regarded as an act of insolvency, as recommended in the Third Report of the Law Commission, should be implemented.

#### Amendment of order XLIV C.P.C. re: pauper appeals

Printing of the judgement which is essential in some States, may be dispensed with in appeals filed on the basis of a certificate granted by the Legal Aid Committee.

#### Vakalatnama to members of Legal Aid Committee

The law may be amended to permit parties to execute Vakalatnamas in favour of the Legal Aid Committee, which would thereupon take over the function of assisting and pleading for the assisted person in the court.

#### Legal Aid in criminal proceedings

##### Liberalisation of Bail policy

An indigent accused in a criminal proceeding stands the risk of denial of fair treatment and a fair trial when he does

not have equal access to the legal services available to the opposite side and to more affluent accused.

In determining the eligibility for legal aid in criminal cases, a means criteria should be applied, except in cases where the accused faces the death penalty or imprisonment for life upon conviction.

An applicant should not be required to demonstrate a prima facie case for his innocence or show the reasonableness of taking up his case.

Legal aid should be denied to habitual offenders and generally to those involved in election, defamation and adultery cases in which an essentially 'private' claim is involved.

Pragmatic and financial considerations may indicate to individual legal aid committee additional matters which may generally be excluded from legal aid eligibility.

Legal aid to complainants in maintenance cases and in genuine private criminal complaint cases should be available.

Those accused in preventive security cases under the Criminal Procedure Code and appellants already convicted in cases eligible for legal aid, should be given assistance, along with more conventional accused.

Institutional arrangements for regular legal aid and advice to inmates of jails and other institutions should be available.

Enlargement of category of bailable offences in Cr. P.C. and insistence on expeditious completion of pre-trial procedures. Release on a person's undertaking to extenuate himself from the area may be tried.

#### Commissioners of Police not to remand to police custody

The existing practice of Commissioners of Police in presidency towns exercising magisterial powers in respect of remanding persons to police custody must be abolished.

#### Access to a lawyer during investigation stage also

The right of a person to have access to a lawyer at any stage of a police investigation should be legislatively provided.

Police officers recording statements of accused under section 161 Cr. P.C. must compulsorily give a copy of the same immediately to them. The likelihood of a person being released on his recognizance should be increased.

#### Pleading guilty at time of assignment itself

To shorten inordinate delays, Cr. P.C. may contain provisions enabling the accused to plead guilty even at the time of assignments without having to wait for proper charge after notice report.

Legal aid in pretrial phase should also provide for some rational and expeditious procedures to get grievances against enforcement agencies, including the police redressed.

#### Post-trial Acquittance

Some psychiatric and rehabilitation programmes will have to be built into the legal aid scheme itself whereby such persons when they come out of the criminal judicial process are given proper counselling, correctional treatment and vocational guidance.

Legal aid should include free expert evidence, free copies of evidentiary documents, free laboratory and scientific facilities, exemption of court and witness fees and the like. In all these matters, the Legal Aid Committees must balance the interests of justice and the circumstances of the defendant.

#### Civil adjudication for damages after criminal trial

It is worth examining whether, at the end of a criminal trial, the case be made over for civil adjudication for damages without a *novus* trial, by suitably amending the civil and criminal procedures.

Legal aid cannot rely entirely on an assigned counsel system utilising private lawyers, appointed on an *ad hoc* basis. Salaried legal services lawyers at taluka or block levels might become necessary.

The use of 'duty solicitors' as recommended in the Gujarat legal aid report, will assure legal assistance to an accused immediately after arrest.

Appropriate provision would also have to be made for an accused person to be represented at the stage of his trial by a competent counsel.

A specific provision should also be inserted in the Cr.P.C., by which the State Government can extend the scheme of legal aid to any other category of proceedings apart from those mentioned above.

#### Legal Aid for the working Class

##### Legal aid for all workers so certified

It is necessary to have a special panel of lawyers specialised in labour law if the legal service offered is to be qualitatively excellent.

The proposed legislation should contain a blanket provision that any worker, certified as such by any recognised Union or Labour Officer (or his dependent/heir) must be statutorily entitled to free legal aid and advice.

Legal aid must also be given to workers irrespective of their wages.

#### Research and report for redress

The state committee of the Judicare Corporation of India must be forwarded to the State and Central Governments in the

Labour Department or Ministry for suitable action, and must be forwarded as a part of the annual report to be presented to Parliament and/or the State Legislature.

#### Group legal insurance for workers

The Employees Provident Fund Law should be amended to provide for a collective or group legal insurance for organised working classes to assert their right.

Recommendation that without references to means and merits tests, wherever there is injury sustained by an agricultural labourer in the course and within the scope of his employment, the legal aid centre must take up the cause and strive to secure for his compensation, by negotiation and by legal action.

#### Litigation Fund for workers

A litigation fund in each industry/establishment of over 100 workers may be constituted for workers of the union to conduct their litigation.

Pecuniary ceilings should be placed on industrial litigation expenses.

#### Govts to discourage public sector industries from litigation against workers

Appropriate government must make public sector industries models by not filing appeals against arbitral awards, unless it has wider impact on a question of law or policy, by ensuring that only lawyers who have a correct social perspective and who are engaged in legal aid work are legal advisers to such industries.

#### Industrial worker and Union----- Legal aid

Legal aid should not be confined to proceedings before tribunals and labour courts but should also be available in the High Courts and the Supreme Court as well as in Civil Courts and Company Courts where workers are involved in litigation with employers.

A worker should be presumed not to have sufficient resources to bear the expense of litigation except where his basic wage or salary is more than Rs 500 per mensem.

In the case of a union, its financial condition must be taken into consideration in ascertaining whether it is eligible for legal aid. The Commissioner of Labour or Registrar of Trade Unions may be able to certify whether in the type of disputes where aid is sought and at the level of the fight in which aid is to be given, the union deserves help or not. A liberal view should be taken generally.

In considering the reasonableness of the case of a union or workman applying for legal aid, the Legal Aid Committee should consider whether the applicant has been guilty of any unfair practice in the case under consideration.

If a complaint of unfair labour practices is against management, the Legal Aid Committee should take up the case as a matter of public policy rather than placing responsibility for bringing such an action on a worker on union.

Where an award at the trial level has been in favour of the union or workers, legal assistance should be given to them if management makes an appeal.

However, the normal merits test would apply if the award trial is against the union or workers and they wish to appeal.

#### LEGAL AID IN SUPREME COURT

##### Amendments to Supreme Court Rules

The Supreme Court Rules do not contemplate any direction being given by the Court for the preparation of the records of the case at State expense. Provisions to that effect must be made.

Legal aid should be extended liberally in the Supreme Court, covering lawyer's service, exemption from printing costs and security for costs as well as the order that the loser pay all the costs.

For legal aid in the Supreme Court, any applicant earning less than Rs.5000 per annum will be eligible for complete aid. Persons earning between Rs.5001 and Rs.10,000, may be required to make a contribution to the extent of half.

In regard to merit test, legal aid should not be withheld if the case has broad social importance and will not otherwise reach the Supreme Court.

There is no need for a merit test to be applied in regard to the appeals to the Supreme Court which are filed only after a judicial scrutiny followed by a leave certificate.

Justice to the Constitution constrains us to treat the Scheduled Castes and Scheduled Tribes as a particularly handicapped class meriting sensitive help through specialised legal processes.

Annual income of litigants may be the basis. Legal Aid briefs should be exempted from the need for Advocates on record. In the practice of the Supreme Court, legally aided briefs must receive special treatment and even if the party loses he should not be mulcted with costs throughout.

When an appeal involving a difficult question of law is decided by an appellate court, the amount of costs occasioned thereby should be paid by the State.

#### **Legal Aid to Special Groups: Special Areas**

##### **Legal Service Programme for Scheduled Castes & Scheduled Tribes**

##### **Advisory Committee**

##### **Legal Welfare Officers in the Harijan Welfare Department**

An Advisory Committee should be set up to counsel the National Legal Services Authority in the matter of legal aid services to the Scheduled Castes and Tribes. For tribal areas and Harijan habitations, Legal Welfare Officers attached to the Harijan Welfare Department at district levels may be appointed. Activists with the proper orientation must be appointed to key posts in such areas. In all civil cases, legal aid and advice must be given free for Harijans and tribals except where they are income tax and/or sales tax assesseees.

##### **Amendment of Section 304 Cr.P.C.**

In criminal proceedings, apart from lawyer's services, witnesses' batta, cost of getting copies etc. and even travel expenses to the police station or court must also be met. Section 304 Cr.P.C. may be amended to this effect.

##### **Suits on behalf of Harijans--Sanction provisions to be made inapplicable**

Where a legal aid official starts a case on behalf of Harijans it shall not be invalidated for want of sanction e.g. under section 197 Cr.P.C. No order of eviction should be made against a Scheduled Caste or Tribe member unless after expiry of 6 months of notice of decree to the District Collector or legal aid unit, so that alternative living space may be found for the evictee. Every State should enact legislation in this behalf. Legal aid officials moving on behalf of the affected victim must be deemed to be 'aggrieved persons'.

#### **Summary trial for Offences re: Untouchability Act**

Trials of cases under the Untouchability Act or other notified Act must be by summary procedure. The Evidence Act or the elaborate provisions of the Cr.P.C. should not apply. The law must be suitably amended. Setting up of specially sensitive Harijan cells in selected areas is worth a trial.

#### **Defence Service & Legal Aid**

##### **Declaration by Legal Aid Committee instead of Vakalat-nama Succession Certificate, etc., not to be necessary**

Legal aid should be given by the State to the members of the services, ex-servicemen as well as their families. The National Legal Services Authority must lie with the soldiers', Sailors' and Airmen's Board at its various administrative levels so as to ensure free and ready legal services to these military customers and their dependents. Legal services to such persons must be largely free, regardless of the client's means, and at reasonable charges in cases of officers.

When a legal aid centre deputes a lawyer on behalf of a member of the Armed Forces or his family, a declaration by the office of the Centre, as distinguished from a Vakalat-nama, must be treated as sufficient by the Courts. In relation to claims made by heirs of a deceased member of the Armed Forces, succession certificates should be dispensed with on production of heirship certificates from the Legal Aid Organisation. In criminal proceedings, except in cases of grave offences, the requirement of surety should be dispensed with when granting bail.

#### **Legal Aid for Women, Children and disabled groups**

##### **Family Courts & Children's Courts to be set up -- women not to be sent to police lock up**

Family courts and children's courts, separate from civil courts, should be set up particularly in slum areas and in centres of rural poverty. A woman must necessarily sit on a family court bench. Women accused of crime should never be sent to police lock-ups. Legal aid should be given to children under the Probation of Offenders Act, 1958.

#### **Public Defence Counsel in Children's Courts**

The Children Acts debar advocates appearing in juvenile courts. Though the presence of private legal practitioners is not desirable, such courts should be provided with public defence counsel to defend the children and protect their interests. Free legal aid centres can help under the Children Acts and the Suppression of Immoral Traffic Act. Regardless of means, special concessions must be provided for women in civil actions for maintenance and divorce.

#### **Exemption to maintenance suits from court-fee**

In the Court Fees and Suit Valuation Acts, provisions should be made to exempt actions by women for maintenance etc. from payment of court-fees, if their income does not exceed Rs.5,000 per year. Legal aid should also be extended to a woman claiming custody of her child, and in



criminal proceedings, a separate wing for crime against women and children should be established.

### **Women and Nyaya Panchayats**

In the nyaya panchayats, there should obligatorily be women in the panel. In the recruitment to the judiciary greater representation for women is necessary.

### **Order 1 and O.32B C.P.C. Amendment to enable Courts to pass orders safeguarding children's interests**

Family disputes affect off-springs. Our procedural laws do not recognise this fact. Under 1, C.P.C., a child cannot be a party to a suit or proceedings. Courts can, in such cases, be empowered to issue notices to the local legal aid committee to furnish a relevant paper, so that it shall be a party to the proceedings and safeguard the interests of the child. Order 32 B, C.P.C. may be amended also to provide that the courts shall have power to pass such orders as are deemed just to prevent the moral and material abandonment of the child.

### **Amendment to Section 125 Cr.P.C. to provide for destitute child of persons sent to jail**

Section 125, Cr.P.C. may be amended to provide that, if a destitute child is left by a person sent to prison, the Court may direct the reception of the child into an institution or a willing family. Minors litigating for bona fide reasons, through a representative other than their legal guardian must be deemed to be without reasonable resources and legal aid should be given.

### **Other Minorities and Groups**

### **Visits by Legal Aid Committees to ensure compliance with Prison Rules**

Legal aid movement should champion the cause of minorities and test case should be brought in court, without reference to means test. Independent bodies like the Legal Aid Committees may be given powers to visit prisons periodically to ensure the proper enforcement of Prison Rules.

### **ANDAMAN & NICOBAR ISLANDS**

### **Shortcomings re: Administration of justice in Andaman & Nicobar Islands. Suggestions for reforms**

Certain areas in the Nicobar group have no civil courts at all. Virtually all these backward Islands have no lawyers also. The legal aid programme should provide (a) legal advice bureaux manned by lawyers in each development block; (b) duty counsel in each court and (c) legal aid committees on the general pattern for each island and around every court-centre. A subsidy should be given to any lawyer who agrees to settle down there outside Port Blair professionally. There is a good case for adding to the civil and criminal powers of the nyaya panchayats. Fare for travel between any island and Port Blair and between Port Blair and Calcutta should be half the regular fare if the trip is certified by a judicial officer as necessary for filing a legal proceeding in one of the higher

courts. It is good to organise research as part of legal aid. A Judicial Commissioner's Court at Port Blair is worth serious examination. The separation of the Executive and the Judiciary must also be carried out.

### **Laccadive & Minicoy Islands**

There are no lawyers here. Advice Bureaus of lawyers should be set up. A system of nyaya panchayat in every island will be a forward step by way of legal aid to the poor. A scheme of legal aid, administered by the judiciary, is likely to carry prestige and credibility. Free legal advice to all but the well to do, to women regardless of means, service of counsel in court to every one who in the view of the court is weak and unable to engage one, should be given. The concession of 25% now granted in the matter of court fees in the Scheduled area and which expires in 1973 must be continued. The Sub-Judge at Kavaratti may be invested with the powers of a Sessions Judge which would save enormous sums of money for accused and the prosecution who have now to go to Calicut. The Sessions Judge may also travel to the Island to hold trials. Power of District Judge under Section 24, Cr.P.C. to transfer cases from one Munsif to another can also be made over to the Sub-judge at Kavaratti by a notification by the State Government.

Law Commission must study the customs in the Islands and the obsolescent property ownership system in the light of modern property law and family law. A typist-cum-copyist may also be appointed for each court— and carbon copies of judgments be certified as true copies.

### **Panchayati Justice & Legal Aid**

### **Role of Nyaya Panchayats — Report of study Team of 1962**

We must create mini-courts which save the poor from litigation - a radically different non-judicialised forum for conciliation and adjudication. (14th Report of Law Commission and the Report of the Study Team on Nyaya Panchayats quoted from, as also their recommendations.)

### **Recommendations**

Subject to the modifications suggested in our recommendations, the Draft Bill appended to the Report of the Study Team of 1962 should be enacted. It may first be implemented in the Union Territories so as to make the idea credible to States.

The civil jurisdiction of Nyaya Panchayat must be extended to cover all litigation where the subject matter is Rs.1000 or less.

Suits upto the value of Rs.2000 may be heard with the written consent of the parties.

On the criminal side, the court must have the powers of Third Class Magistrate as well as jurisdiction to hear maintenance cases.

Execution of decrees, orders and sentences must be made by the panchayat board itself except where immovable property on civil side and imprisonment on crime side are involved.

Lawyers will not ordinarily be allowed to appear except for a revision.

The draft bill drawn by the Study Team under the Chairmanship of Shri C.R.Rajagopal may be brought into force in the light of modifications we suggested.

### Miscellaneous Matters

**Special Tribunals — Representation by lawyers may be permitted**

In departmental enquiries against Government servants, the accused officer may with the permission of the disciplinary authority avail himself of the assistance of a legal aid practitioner. Provisions barring representation by legal practitioners before bodies or Tribunals other than courts must be removed e.g. in Rent Control, Land Reform litigation etc.

### Refund of Court fee in appeals

Some Indian statutes provide for refund of court fee to a successful party in certain cases e.g. section 13 of the Court Fees Act, 1870. If an uncertain legal position calls for a higher court in appeal, in all such cases refund should be made. Special Leave matters before Supreme Court would be proper instances for refunds. Initially it may be made applicable to persons whose income falls below Rs.5,000 per year.

### Fund to compensate for losses sustained by counsel's dishonesty

Legal Fund may be set up to compensate for loss sustained by a client as a result of his Counsel's dishonesty.

Suitors' Fund may be constituted to provide for the payment of costs of both the parties out of such Fund where a substantial question of law is involved in the matter or matters of public interest.

Eligibility for such reimbursement may be certified by the appropriate counsel and may consist of total compensation to those litigants earning between Rs.5000 and Rs.10,000.

### Legal Aid & Law Schools

#### Law Students — to appear before Courts on behalf of indigent clients

Law School clinics should be a visible and effective instrument for community education and a wide variety of far reaching preventive legal service programmes.

Statutory adoption of Student Practice Rules enabling law students to appear in court on behalf of indigent clients would be a good step. Similar rules obtain in Canada, Ceylon, Costa Rica etc. Advocates Act to be amended suitably. Draft section 33-A indicated.

A monthly stipend of Rs.250 during the period and a possibility of being admitted to the collegium of legal aid lawyers would give a student initiative and confidence for starting professional career in legal aid work.

#### Compulsory public service as part of Law School curricula

Whether a 6-months period of compulsory public service

in a rural or tribal legal aid agency towards the end of the 3-year academic instruction can be prescribed needs to be examined.

### Research, Law Reform and Evaluation

Research and Law Reforms functions should be built into the National Scheme for legal aid and a suitable apparatus should be provided to undertake and promote research to examine law reform proposals, to identify the real problems of poor and suggest remedies and to evaluate the legal aid programmes and institutions.

There shall be a Research Director at the National level dealing with (i) Statistics (ii) Social and economic problems of the indigent (iii) Litigation Research including test case litigation (iv) Legislative Research and (v) Performance Audit and Evaluation. Likewise at the State level.

The consultative councils comprising legislators, civil servants, men and women in public life, nominees from Bar Council of India, Social Welfare Board, Planning Commission, Commissioner for Scheduled Castes and Tribes etc., should be created at the National, State and District levels to keep the legal service programme in touch with different strata of society.

### Communication and Training

An effective communication programme by means of radios, television, and films as to the availability and location of legal services and to make people aware of their rights under law, is the first imperative.

An eight week intensive training course should be given for full-time legal aid lawyers and para-professionals. Penal lawyers must receive two weeks of training and refresher courses in order to draw on the required experience of legal aid workers.

A National Training Institute for legal aid may be established to co-ordinate and refine the work.

### Legal Aid and the Legal Profession

R39 B, framed under the Advocates Act—Not sound —Law necessary to impose an obligation.

Duty to render legal aid imposed on every Advocate. No machinery to enforce the obligation. Obligation must be cast by a statute on all lawyers to do a specified minimum of legal aid work.

Failure to accept legal aid brief except for proper and justifiable reasons should be regarded as professional misconduct.

The Legal Aid Committee would assign cases to counsel, taking into account the preferences of the client into consideration.

### Profession of Law vis-a-vis Legal aid

A public sector in the practice of law which may compete with and provide a reasonably priced alternative to the private legal services, may be created. Central and State Governments and public sector undertakings pay fanciful fees to lawyers to represent them, which inflates the standard of fees. They should decide to pay only reasonable fees, to be

fixed by the National Legal Services Authority. Company Law Board should issue directives to Private & Public Limited Companies to entrust their work only to State-provided lawyers as far as possible or private lawyers on fees fixed by the aforesaid authority. Sanction should also be provided that companies violating the directive shall not be permitted to debate the legal expenses incurred by them in the accounts of the company but shall be borne by the Directors.

#### **Companies Act—Amendment to bar reimbursement of costs to Directors by firm in certain cases**

When Directors of a company challenge investigation under Section 235 or 237 of the Companies Act, the costs are reimbursed to them from out of the Company's fund. Directors, therefore, engage the best counsels at fanciful fees. Companies Act should be amended to provide that costs in such cases shall not be reimbursed, unless the Court otherwise orders.

#### **Payments to Law Officers of the Govts to be limited**

The State and its subsidiary agencies should not pay to any of its law officers fees of an undue dimension. The maximum limit of their fees should be fixed.

#### **Lawyers' Service Co-operatives —Incentives that may be given**

Lawyers' Service Co-operatives (with bye-laws approved by the National Authority) to provide legal aid may be encouraged. If they work well, some part of the Government work may be handed over to them and rewards may be given in the form of tax exemption etc. to members of such co-operatives, as also free office premises, preference in judicial appointments and the like.

#### **Role of Voluntary Agencies**

Voluntary agencies should be closely associated with legal aid organisations and they should be represented at all levels including National Legal Service Authority. Associations with a proven record of service in this field can be given subventions or grants for legal aid subject to the usual financial safeguards.

Where an organisation renders direct legal aid, it can claim associate status and have it conferred by the National Scheme.

#### **Means Test in Legal Aid**

##### **Amendment of in forma pauperis provisions of Order 33 C.P.C.**

The assets limits under Order 33, C.P.C. should be raised to Rs. 1000 and, in computing the cost of litigation an amount equal to the court-fee be added to represent the cost of witnesses, printing etc.

As a general matter, completely subsidised legal aid should be available to any family unit consisting of husband, wife and children whose gross income is Rs.2400 per year or less.

Family units whose gross income is more than Rs.5000 per year will not be eligible for any assistance.

The eligibility criteria would apply to civil and criminal litigation and the following are automatically eligible for legal aid i.e. Scheduled Castes and Tribes, women and children bringing action under section 488Cr. P.C., defence personnel, Indian Embassy Staff abroad earning less than Rs.5000 per annum, lunatics etc.

Private corporations, co-operatives and charitable groups are also eligible for legal aid where their objects are of social welfare type.

Means test may be deferred in urgent type of cases and the applicant may sign a bond promising to make good the financial liability at a later date.

Any false declaration of the income and other particulars as to the financial means of the applicant would be an offence punishable with fine up to Rs.250.

#### **Organisation of Legal Aid**

Administrative set-up —Preferably Specialised Agency —A Statutory Organisation.

A separate Govt. Deptt.—not advisable, since the individual has to be assisted against Govt. Deptts. as well, nor to be entrusted to the judiciary. A specialised Agency would be best. A statutory organisation should be created for the purpose.

Necessary Legislation may be enacted by Parliament for the establishment of a Statutory Corporation called National Legal Service Authority.

The Member-Secretary of the Local Committee shall be the Chief Executive Officer who will give legal advice, draft simple documents, receive applications for legal aid and above all appear in courts in some cases. He shall be paid a fixed salary.

Where a large section of weaker strata of the community is concentrated far from the Headquarters of Legal Aid Committee, a legal Extension Officer may be posted at the Block Headquarters to give legal advice to them.

Above the Local Committee, there shall be a District Legal Aid Committee headed by a full-time paid Secretary to supervise and guide the local committee and dispose of appeals against the orders of local committee refusing aid.

Apart from the Counsels on the Penal a full time Public Counsel for the indigent may be appointed to do all legally aided cases.

The National Legal Services Authority would be responsible for laying down the policy, administer the scheme of legal aid and for making grants-in-aid to the State Legal Aid Boards.

Provision may be made by the National Authority and State Boards for purposes of establishment of funds, and exemption from Income Tax and Wealth Tax.

Preference will be given to those who have worked under the legal aid scheme in making appointments to the Judicial Service of the State or even by reserving a certain percentage of appointments to them.

#### **Financial Aspects of Legal Aid**

##### **Financial Estimates**

The finances to be required for implementing the project are roughly estimated at pp. 229-230.

#### Source of Funds

Not by imposing special surcharges on Court-fees etc., the provision of legal aid is one of the normal functions of the State and funds for this purpose would have to be provided in the same manner as for any other public purpose. Burden can be alleviated by charging fees for legal advice and diverting costs awarded to the Fund. Private donations may be encouraged by making them exempt from income-tax.

According to the data collected by Tamil Nadu Committee, the number of cases is not much as to throw a considerable burden upon the financial resources of the State.

The average cost of each Secretary for a Local Committee would be Rs. 7860 per annum and for 3026 Taluks, the cost would be Rs. 238 lakhs per annum. Likewise, the cost of each Secretary for District Committee would be Rs. 9,500 and for 356 Districts, Rs. 34 lakhs.

The total expenditure which is likely to be incurred in covering the entire country with a network of legal centres and committees would come to Rs. 3.5 crores.

Once it is recognised that the provision of legal aid is one of normal functions of State, the funds would have to be provided in the same manner as for any other public purpose.

It may be possible to stimulate donations from private sources for legal aid by making such deduction charitable and hence exempt from Income Tax.

#### A Phased Programme

##### Action required

Enactment of comprehensive legislation to cover all aspects would take time. Executive action can be effected more speedily. Some of the recommendations can be implemented straightway by executive orders of State Governments and Union Territories. Some require amendment of Schedule of C.P.C. to be done by High Courts with the approval of State Governments/Central Government, as the case may be. Some call for amendment of C.P.C. and Cr.P.C.

Stage by stage implementation of a project particularly an elaborate scheme like this would have certain inherent advantages of its own and postponement of the scheme till last detail is ready for execution is not wise.

The establishment of National Legal Services Authority and State Legal Boards requires comprehensive Parliamentary legislation, but the framework of local and district committees and the State Boards can be established by executive orders.

Executive orders should provide for legal aid to accused

persons in sessions cases, respondents in appeals against acquittals or in revision petitions for enhancement of sentence, provision for the assignment of counsel to all persons who are authorised under the existing law to sue and appeal as paupers and petitioners in maintenance cases.

A comprehensive Legal Aid and Advice Act should be passed by Parliament and necessary steps for this purpose might be taken at an early date.

#### Legislation Immediately Feasible

Legal Aid Provisions in the Cr.P.C. Bill pending before Lok Sabha. Necessary amendments as suggested by us may be moved.

Advocates (Amendment) Bill—pending in Lok Sabha—be amended further to provide for an obligation on Advocates to do a certain number of legally aided cases and for enabling law students to appear before courts.

#### Executive Orders to be made Immediately

To provide for legal aid to accused in sessions cases, respondents in appeals against acquittals, and to petitioners in maintenance cases. Central Govt. should take immediate action re: Union Territories.

To assign counsel to all persons who are authorised under the existing law to sue and appeal as paupers and to pauper plaintiffs who are respondents in appeals.

To enable an individual to defend as pauper, an amendment to the C.P.C. by the High Courts would be sufficient. In order to expedite matters a suitable amendment to the Schedule to the C.P.C. may be drafted by the Central Government and circulated to State Governments for adoption by the High Courts.

#### Comprehensive Legislation on Legal Aid

To be passed by Parliament—establishing the National Legal Services Authority and the State Legal Aid Boards and providing for their composition and powers.

The law may come into force on dates to be specified by the Central Government by notification—may be different dates for different provisions and for different States—but not later than 2 years from date of enactment.

#### Special Cell for preparatory work

Since a lot of preparatory work is required, the task of implementing the proposals should be entrusted to a Special Cell in charge of an officer with sufficient enthusiasm and vigour.

The urgency of translating our recommendations in a phased way into reality is to have legal order from lawlessness and to achieve social transformation.

# **BANKING LAWS COMMITTEE. 1972**

## **Report on Negotiable Instruments Law, Delhi, Controller of Publications, 1976, 407p.**

### **One Man Committee**

**Chairman:** Dr. P.V. Rajamannar.  
**Secretary:** Shri R. Krishnan.

### **APPOINTMENT**

The Government of India constituted the Banking Laws Committee vide its Resolution F.10(S)-BC/71 dated November, 1972.

### **TERMS OF REFERENCE**

To review the following subjects:

- (1) Codification of Commercial laws affecting banking;
- (2) Laws relating to negotiable instruments and codification of practices and usages relating to indigenous negotiable instruments;
- (3) Laws relating to—
  - (a) bank deposits and collections;
  - (b) documents of title to goods;
  - (c) loans and advances generally with particular reference to banks and financial institutions;
  - (d) guarantees issued by banks;
  - (e) letters of credit, unsecured advances and special provisions relating to recovery of loans.

### **CONTENTS**

Introductory; Revision of the Negotiable Instruments Law—General Considerations; Negotiable Instruments—Formal Requisites; Negotiable Instruments—Parties thereto; Negotiable Instruments—Their Honour and Dishonour; Conflict of Laws; Cheques; Bankers, Draft; Banker's Protection; Summary of Conclusions and Recommendations; Appendix from I to VII.

Revision of the Negotiable Instruments Law—General Approach

The law relating to negotiable instruments is not really part of the law of any one nation but applies to the commercial world in general transcending national barriers. The Negotiable Instruments Act, 1881 of our country requires changes in several respects to suit the banking and commercial practices of modern days. In order to further the development of international intercourse in industry, trade and commerce, it is desirable that the provisions of our negotiable instruments law are drawn up to be in step with international conventions and models of other advanced countries. Taking into consideration the fact that the U.K. has already joined the European Common Market and that

serious attempts are being made to reconcile the economic and commercial laws of the European continent and the U.K., the divergence based on the common law system and the civil law jurisprudence is proving to be gradually of lesser importance. Though by and large our laws have been modelled on the lines of those of the U.K. and the other common law countries and naturally our main reliance even today is on the provisions that are found to be in force in the common law countries, wherever we find that for cogent reasons it would be desirable for us in certain respects to adopt provisions found in the Geneva conventions or in the other continental laws, we need not be inhibited from adopting such provisions. Ultimately, the question is what would be suitable for the commercial and economic development of our country?

The Law Merchant is not a closed book and the categories of negotiable instruments are also neither fixed nor stereotyped. The features of negotiable instruments in general are sufficiently well-known and they require no express statutory incorporation. Hence, it is not necessary to have a general statutory definition of the basic requisites of a negotiable instrument, and the method adopted by the NIA would serve the purposes of the statute. As and when it is considered necessary for the legislation to cover negotiable instruments other than the specified categories covered by the statute the definition need concern itself only with the particular criteria to be fulfilled by instruments to come within such category.

Negotiable certificates of deposit have proved in other countries as a potentially volatile source for deposit mobilisation by commercial banks, and this is attributed to their sensitivity to interest rates, attractive yields and marketability of banks in India, introducing negotiable certificates of deposit merits careful consideration by the Reserve Bank of India and the Government having regard to the needs of our country's banking and economic development.

It is not necessary to introduce any special provision in the statute to provide for the issue of negotiable certificates of deposit by banks, as they will qualify as time promissory notes.

When it is considered desirable for banks to issue negotiable certificates of deposit, Government may, by notification, exempt such certificates of deposit from liability to be stamped as time promissory notes.

### **Negotiable Instruments—Formal Requisites**

While it is necessary that in view of their special character and incidents negotiable instruments should conform to certain essential formal requisites, in considering such requisites we have to allow for suitable adaptations and give

greater importance to the mercantile necessities of modern times, for the healthy development of commerce and trade.

An instrument containing a promise or order to pay should not be regarded as conditional when:

(a) it states its consideration, whether performed or promised or the transaction which gave rise to the instrument, or that the promise or order is made or the instrument matures in accordance with or "as per" such transaction; or

(b) it refers to or states that it arises out of a separate arrangement; or

(c) it states that it is drawn under a letter of credit; or

(d) it states that it is secured whether by mortgage reservation of title or otherwise; or

(e) it indicates a particular account to be debited or any other fund or source from which reimbursement is expected; or

(f) it is limited to payment out of a particular fund or the proceeds of a particular source, the instrument is issued by a government or governmental agency or unit; or

(g) it is limited to payment out of the entire assets of a partnership, un-incorporated association, trust or estate by or on behalf of which the instrument is issued.

However, the promise or order should not be regarded as unconditional if the instrument states that it is subject to or governed by any other agreement; or if it states that it is to be paid only out of a particular fund or source.

The recognition of a documentary bill, under the Act, would be consistent with the mercantile theory. Having regard to the aim of the new Bill Market Scheme which the Reserve Bank of India has promoted and the objectives of credit policy, it may not be desirable to do away with bill hundis. The objectives of credit policy would be better served if we could expressly validate a bill of exchange with the condition that payment thereon is to be made only against transfer and/or delivery of the documents referred to in the bill. Hence, the second paragraph of section 5 of the NIA should be further amplified to provide that with reference to a bill of exchange, other than a cheque, the mere fact that payment on the bill is made subject to the transfer and delivery of the documents of title to goods attached thereto does not make the instrument per se conditional.

The amount payable on a negotiable instrument should be considered as sum certain even though it is to be paid:

(a) with stated interest or by stated instruments; or

(b) with stated different rates of interest before and after default or a specified date; or

(c) with a stated discount or addition if paid before or after the date fixed for payment; or

(d) with exchange or less exchange, whether at a fixed rate or at the current rate.

An instrument should be considered as drawn or made payable at a definite time when by its terms it is payable:

(a) on or before a stated date or at a fixed period after a stated date; or

(b) at a fixed period after sight; or

(c) at a definite time subject to any acceleration.

"Signature" should be defined as "the writing or otherwise affixing a person's name or a mark to represent his name, by himself or by his authority with the intention of authenticating a document as being that of or as binding on the person whose name or mark is so written or affixed."

Whether in any instance, the facsimile would qualify as a

"mark" validity affixed with the requisite intention and thus be regarded as proper signature, could be left to facts of the particular case. But banks would be in order to ask for a proper indemnity before agreeing to act on facsimile signatures as a matter of course.

The third paragraph of section 20 of the NIA may be substituted to provide that.

An instrument shall be deemed to have been made accepted, drawn or endorsed on behalf of a corporate body if drawn, accepted, made, or endorsed in the name of, or on behalf or on account of a corporate body by any person acting under its authority, express or implied.

For the healthy development of commerce and trade it is necessary to discountenance instruments made or drawn without a date, though the fact that the instrument is ante-dated or post-dated should not affect its validity. Hence, an undated instrument should be made invalid, but the validity of an instrument should not be affected merely for the reason that it is ante-dated or post-dated.

Where an instrument is ante-dated or post-dated the time when it is payable should be determined by the stated date of the instrument is payable on demand or at a fixed period after date, and where the instrument or any signature thereon is dated, the date may be presumed to be correct.

Section 20 of the NIA may be modified to provide that before a prima facie authority to make or complete the instrument is presumed in favour of a person the delivery of the inchoate instrument to that person should be in order that it may be converted into a negotiable instrument and that he should fill up the instrument within a reasonable time and strictly in accordance with the authority given.

The scope of section 20 of the NIA need not be confined only to delivery of signed papers which are stamped with duty as per the stamp law.

There should be an express provision that as against a holder in due course, the defence that when the instrument was signed it was inchoate and there was no "delivery" should not be allowed to be set up.

Section 18 of the NIA may be amplified to provide also that where the words are ambiguous or uncertain, reference may be made to the figures to fix the amount.

The practice of banks in India to return a cheque where there is a discrepancy in the amount expressed in figures and the amount expressed in words may be discontinued in order to reduce the return of cheques for needless causes.

The law should provide that hand written terms control typewritten and printed terms, and typewritten control printed.

An instrument should be regarded as payable to bearer when by its terms it is payable to "cash" or "order of cash" or any other indication which does not purport to designate a specific payee. Unless the instrument indicates that a signature is made in some other capacity, it should be regarded as an "endorsement".

Section 17 of NIA should be clarified that a bill of exchange drawn on the drawer is effective as a promissory note.

"Material alteration" with reference to an instrument means any alteration which changes the contract of any party thereto in any respect, including any such changes in:

(a) the number of relations of the parties; or

(b) an incomplete instrument by completing it otherwise than as authorised; or

(c) the writing as signed, by adding to it or by removing any part of it; or

(d) the dated, the sum payable, the time of payment, or the place of payment; or

(e) the addition of a place of payment where the instrument has been accepted generally, without the acceptor's assent; or

(f) the addition of the name of a new maker to a joint and several note, without the consent of the original makers; or

(g) an alteration in the name of the payee of an order cheque; or

(h) an unauthorised description in the payee's name; or

(i) the alteration of an inland bill to foreign bill; or

(j) alteration of a foreign bill by adding either on the face of the bill or to the endorsements, the rate of exchange according to which the bill is to be paid; or

(k) the addition of the words requiring payment of interest at a specified rate, where originally the instrument has been drawn for the payment of "lawful interest".

The effect of a material alteration without the assent of all the parties liable on the instrument should be to avoid the instrument except as against the party who has himself made, authorised or assented to the alteration and his subsequent endorsers. But the alteration should not have such effect where the alteration was made by a stranger without the consent of or any negligence or fraud on the part of the holder, or where the alteration was made in order to carry out the common intention of the original parties.

The person who has substantially contributed to the alteration of a negotiable instrument should not be allowed to take advantage of his negligence and escape his liability on the instrument. As between an innocent third party and the negligent party, it is equitable if the latter is made to bear the loss. Hence, any person who by his negligence substantially contributes to a material alteration of the instrument or to the making of an unauthorised signature should be precluded from asserting the alteration or lack of authority against a holder in due course or against a drawer or other payer who pays the instrument in good faith and in accordance with the reasonable commercial standards of the drawee's or payer's business. Section 82 of the NIA may be substituted by a provision to the effect that in cases of material alterations of the text of a bill of exchange, promissory note or a cheque, parties, who have signed or acted thereon subsequent to such alterations when such alterations are not apparent are bound according to the altered text; and parties, who have signed or acted thereon before such alterations, are bound according to the terms of the original text.

Section 82(a) of the NIA may be substituted to provide that the holder of the instrument may even without consideration discharge any party:

(a) in any manner apparent on the face of the instrument or the endorsement, or by intentionally cancelling the instrument or the party's signature by destruction or mutilation, or by striking out the party's signature;

(b) by surrender of the instrument to the party to be discharged.

It is equitable and just to all the parties and would afford banks a reasonable amount of protection of a forged signature is treated as an "unauthorised signature" capable of being ratified without affecting liabilities which may arise un-

der the criminal law. For this purpose, "unauthorised signature" may be defined as a signature which is made without actual, implied or apparent authority and as including a forgery. It should be further provided that any unauthorised signature is wholly inoperative as against the person whose name is signed unless ratified or is precluded from denying it, and that any unauthorised signature may be ratified for the purpose of the negotiable instruments law and such ratification does not per se affect any right of the person ratifying against the actual signer or liabilities arising under the criminal law.

An unauthorised signature which would include a forgery, shall operate as a signature of the unauthorised signer, in favour of any person who in good faith pays the instrument or takes it for value.

Abolition of the stamp duty as regards usance bills and notes would certainly be a measure that would encourage and promote speedier settlement of short-term commercial claim by means of usance bills. This would also help the development of genuine trade and commercial bills and the growth of bill market, and would facilitate the provision of credit against such bills. Hence, Government may consider, in consultation with the Reserve Bank of India, the feasibility of total remission of stamp duty payable on usance bills and notes. Total remission of stamp duty is not now feasible, on the analogy of foreign bills received in India which require to be stamped in this country. Government may provide for the other bills and notes also to be stamped with special adhesive labels.

#### Negotiable Instruments - Parties Thereto

For the sake of commercial convenience, the law should be amended to permit an instrument being drawn with alternative drawees, and the holder of such an instrument, upon the first dishonour thereof by any of the named alternative drawees should be entitled to have his resource against the drawer and endorsers.

'Bearer' should be defined as a person in possession of an instrument which is payable to bearer or endorsed in bank. The position of the purchaser of a banker's draft may be clarified by bringing him within the framework of the negotiable instruments law. The position of the purchaser of a banker's draft is approximately the same as that of the payee and the Law Merchant has also recognised him as owner of the instrument. Where the purchaser takes the banker's draft in his own name, there is no difficulty. Where he takes it in the name of a third person, he cannot transfer the same by endorsement but can transfer the same by delivery only to the named payee. Since the instrument is not drawn in his favour the paying bank may not be aware of his title to the instrument, and his claims would be mainly against the issuing bank. Subject to such limitations, which may be clarified separately, the purchaser of a banker's draft not made out in his own name may nevertheless be recognised as the holder thereof. This could be done by defining 'holder' as including a person to whom the instrument has been issued, whether or not it is made out in his own favour. The holder of an instrument which is drawn or made out in favour of a third party can negotiate the same by mere delivery thereof to the named payee only and it should be provided that such holder cannot directly enforce payment on the instrument from the

drawer.

'Holder' may be defined as a person in possession of an instrument which is either drawn or endorsed to him or to his order or to bearer or in blank, and as including also the purchaser to whom the instrument is issued but not including a beneficial owner.

'Issue' of an instrument may be defined as the first delivery of an instrument to a holder or a purchaser.

It is necessary that the circumstances when a person could claim to be a holder in due course and the defenses that may or may not be raised against him are indicated with as much precision as possible. Hence, in section 9 of the NIA, the expression "becomes overdue" shall be substituted for the words "became payable". The section should also be modified to make clear the position that a person can claim as a holder in due course only when he takes the instrument for consideration whether the instrument is payable to bearer or order. An explanation may also be added to this definition to draw reference to the provisions which indicate when a defect may be said to exist in the title of a person to an instrument.

"Restrictive endorsement" may be defined as an endorsement which either:

(a) purports to prohibit further transfer of the instrument; or

(b) includes the words "for collection", "for deposit", "pay any bank" or like terms signifying a purpose of deposit or collection; or

(c) otherwise states that it is for the benefit or use of the endorsee or of another person.

A restrictive endorsee should be defined as a person taking the instrument under a restrictive endorsement.

The old Common Law rule as regards conditional endorsement operates harshly, and hence, the law should provide that where an instrument purports to be endorsed conditionally the condition may be disregarded by the payer and that the payment to the endorsee is valid whether the condition has been fulfilled or not.

"Accommodation party" may be defined as a person who has signed the instrument as drawer, acceptor or endorser, without receiving value therefor and for the purpose of lending his name to some other person.

Where in an instrument payable to order the payee or endorsee is wrongly named, or his name is misspelt, he may endorse the instrument as therein described, adding, if he thinks fit, his proper signature; but signature in both names or both designations (as the case may be) may be required by a person paying or giving value for the instrument.

The introduction of the concepts of 'fictitious payee' and 'non-existing payee' in the Negotiable Instruments Law has come in for considerable criticism and has been the cause of confusion. Judgments dealing with the question exhibit refinements, if not inconsistencies, which render it almost impossible to formulate the general effect of the provision. Hence, to deal with instruments drawn in favour of payees who are either imaginary or unintended, the law should provide that:

(1) An endorsement by any person in the name of a named payee is effective if,

(a) an imposter through the use of the post office or otherwise has induced the maker or drawer to issue the instrument to him or his confederate in the name of the payee,

or

(b) a person signing as or on behalf of a maker or drawer intends the payee to have no interest in the instrument, or

(c) an agent or employee of the maker or drawer has supplied him with the name of the payee intending the latter to have no such interest.

(2) Nothing in this provision shall affect the criminal or civil liability of the person so endorsing.

Section 121 of the NIA may be substituted by a provision on the following lines:

"By making, drawing or accepting, the party admits as against all subsequent parties including the drawee, the existence of the payee and his then capacity to endorse, and such party is also precluded from denying as against all subsequent parties, including the drawee, the payee's capacity to endorse on the ground of any defect which existed on the date of such making, drawing or accepting."

Until the contrary is proved, the endorsements appearing on an instrument shall be deemed to have been made in the order in which they appear.

An endorsement which shows that it is not in the claim of title shall be deemed to be notice of its accommodation character.

Since it is important that a mercantile instrument should not be an embarrassing document any restriction on the right to negotiate cannot be presumed. Hence a restrictive endorsee's right to further transfer or negotiate the instrument should not be affected unless the endorsement though restrictive in any respect also specially precludes negotiation.

The law should provide that the first holder of an instrument claiming under a restrictive endorsement if otherwise qualified, will be a 'holder in due course' provided he acts consistent with such endorsement and that a subsequent holder will also be, if otherwise qualified, a holder in due course if he has no notice of the fact that the previous holders have not acted consistent with the endorsement.

The transferee for value without endorsement of an instrument shall have all the rights which the transferor had in instrument and in addition, the right to have the endorsement of the transferor or his legal representative, as the case may be. But the right to ask for an endorsement should not apply to the case of a purchaser obtaining an instrument in the name of another which he may transfer to such person by mere delivery. The warranties that a transferor is deemed to make in favour of his transferee, and to subsequent holders who take the instrument for value and in good faith, should be clearly specified so as to cover both kinds of transfers, namely by endorsement and delivery and by mere delivery. Any person who obtains payment or acceptance or any prior transferor should be regarded as warranting to a person who in good faith pays or accepts that:

(a) he has a good title to the instrument or is authorised to obtain payment or acceptance on behalf of one who has a good title; and

(b) he has no knowledge that the signature of the maker or drawer is unauthorised except that this warranty is not to be regarded as given by a holder in due course acting in good faith,

(i) to make with respect to the maker's own signature; or  
(ii) to a drawer with respect to the drawer's own signature, whether or not the drawer is also the drawee; or

(iii) to an acceptor of a bill if the holder in due course



took the bill after the acceptance or obtained the acceptance without knowledge that the drawer's signature was unauthorised; and

(c) the instrument has not been materially altered except that this warranty is not to be regarded as given by a holder in due course acting in good faith,

(i) to the maker of a note; or

(ii) to the drawer of a bill whether or not the drawer is also the drawee; or

(iii) to the acceptor of a bill with respect to an alteration made prior to the acceptance if the holder in due course took the bill after the acceptance, even though the acceptance provided 'payable as originally drawn' or in equivalent terms; or

(iv) to the acceptor of a bill with respect to an alteration made after the acceptance.

However, the party who accepts or pays should not be regarded as admitting the genuineness of the endorsement and he may recover from the person presenting the instrument when the endorsement turns out to be a forgery.

A transferor by endorsement and delivery should be regarded as warranting in favour of his transferee, and to any subsequent holder who takes an instrument in good faith and for value that,

(a) he has a good title to the instrument or is authorised to obtain payment or acceptance on behalf of one who has a good title and the transfer is otherwise rightful; and

(b) all signatures are genuine or authorised; and

(c) the instrument has not been materially altered; and

(d) no defence of any party is good against him; and

(e) he has no knowledge of any insolvency proceeding instituted with respect to the maker or acceptor or the drawer of an unaccepted instrument.

However, such transferor may limit his obligation as regards the validity or the defence of any party against him by transferring the instrument, without recourse.

The transferor by delivery should be regarded as giving the aforesaid warranties only in favour of his immediate transferee.

The scope of section 43 of the NIA should be confined only to a transferee of an instrument who takes it by endorsement and delivery.

The scope of section 45A of the NIA should be widened to cover bills, cheques and notes.

The person claiming a duplicate as owner of a lost instrument is not strictly a "holder" since he is not in possession of the paper and he does not have the holder's *prima facie* right to cover. He must establish the terms of the instrument and his ownership and must account for its absence. Hence, the law should provide that the amount and terms of security to be offered when a person claims a duplicate shall be determined by agreement between the parties and failing such agreement, they shall be determined by the court.

The purchaser of an instrument should be regarded as having notice of a claim or defence if,

a) the instrument is so incomplete, bears such visible evidence of forgery or alterations, or is otherwise so irregular as to call into question its validity, terms or ownership or to create an ambiguity as to the party to pay; or

b) the purchaser has notice that the obligation of any party is voidable, in whole or in part, or that all parties have been discharged.

The purchaser should also be regarded as having notice of a claim against the instrument when he has knowledge that a fiduciary has negotiated the instrument in payment of or as security for his own debt or in any transaction for his own benefit or otherwise in breach of duty.

In the following circumstances the purchaser of an instrument should not be considered as having notice of any claim on or defect in the instrument:

(a) that the instrument is ante-dated or post-dated;

(b) that it was issued or negotiated in return for an executory promise or accompanied by a separate agreement, unless the purchaser has notice that a defence or claim has arisen from the terms thereof;

(c) that any party has signed for accommodation;

(d) that an incomplete instrument has been completed unless the purchaser has notice of any "improper completion";

(e) that any person negotiating the instrument is or was a fiduciary;

(f) that there has been default in payment of interest on the instrument or in payment of any other instrument, unless it is one of the same series.

The purchaser of an instrument should be regarded as having notice that an instrument is overdue if he has reason to know:

(a) that any part of the principal amount is overdue or that there is an uncured default in payment of another instrument of the same series; or

(b) that acceleration of the instrument has been made; or

(c) that he is taking a demand instrument after demand has been made or more than a reasonable length of time after it is issued.

A cheque which has been in circulation for over three months from the date it bears should be presumed to be overdue.

The law should provide that, to be effective, a notice of any defence or claim which would affect the title to, or the amount payable on, the instrument, must be received by a person at such time and in such manner as to give him a reasonable opportunity to act on it. The holder in due course should be regarded as taking the instrument free from all claims to it on the part of any person and all defences of any party to the instrument with whom the holder has not dealt, except:

(a) infancy, to the extent that it is a defence to a simple contract; and

(b) such other in capacity, or duress, or illegality of the transaction, as renders the obligation of the party a nullity; and

(c) such misrepresentation as has induced the party to sign the instrument with neither knowledge nor reasonable opportunity to obtain knowledge of its character or its essential terms; and

(d) discharge in insolvency proceedings; and

(e) any other discharge of which the holder has notice when he takes the instrument.

The law should provide that as against a holder in due course a defence based on non-delivery, conditional delivery or delivery for a special purpose shall not be set up.

As against a holder in due course and without notice of the accommodation, oral proof of the accommodation should

not be admissible to give the accommodation party the benefit of discharge dependent on his character as such and, in other cases, the accommodation character may be shown by oral proof.

An endorsement which purports to transfer to the endorsee only a part of the amount payable shall operate only as a partial assignment and should not be effective as a negotiation thereof.

Business convenience requires that the terms of a contract of a person guaranteeing the payment of an instrument or the fulfilment of an obligation arising thereon of any party to the instrument are expressly stated and scope of any ambiguity thereon should be avoided. Hence, the law should provide that:

a) "payment guaranteed" or equivalent words added to a signature mean that the signer engages that if the instrument is not paid when due he will pay it according to its tenor without resort by the holder to any other party;

b) "collection Guaranteed" or equivalent words added to a signature mean that the signer engages that if the instrument is not paid when due he will pay it according to its tenor, but only after the holder has reduced his claim against the maker or acceptor to judgment and execution has been returned unsatisfied, or after the maker or acceptor has become insolvent or it is otherwise apparent that it is useless to proceed against him;

c) words of guarantee, which do not state otherwise, guarantee payment;

d) no words of guarantee added to the signature of a sole maker or acceptor affect his liability on the instrument. Such words added to the signature of one of two or more makers or acceptors create a presumption that the signature is for the accommodation of the others;

e) when words of guarantee are used presentment, notice of dishonour and protest are not necessary to charge the user of such words.

Instead of having provisions in our law on the lines found in the Geneva conventions regarding the system of "Aval", the law should provide that where a person signs an instrument otherwise than as a maker, drawer or acceptor he thereby incurs the liability of an endorser to a holder in due course.

When an instrument is drawn or negotiated by a minor, the drawing or negotiation as the case may be, shall entitle the holder to receive payment of the instrument and to enforce it against any party thereto other than the minor.

When a negotiable instrument contract is entered into on behalf of a corporate body by a person acting without authority, such a contract may nevertheless be valid in order to bind other parties thereto.

#### Negotiable Instruments: Their Honour and Dishonour

The procedure for honouring an instrument should be clear leaving no scope for ambiguity and should be consistent with business convenience. If the instrument is dishonoured, the secondary parties who may become thereby liable have to be promptly apprised of the dishonour in order that they may take proper steps to protect their interests. The procedure for recovery of the amount due on the instrument from the parties liable thereon, in the event of dishonour, should contribute to the expeditious settlement of the claim, unless

otherwise agreed. Where an instrument is taken for an underlying obligation, the obligation should be regarded as suspended pro tanto until the instrument is due as if it is payable on demand until its presentment. If the instrument is dishonoured, action may be maintained on either the instrument or the obligations. Discharge of the underlying obligor on the instrument should also be regarded as discharging him on the obligation.

The provisions of the negotiable instruments law relating to payment of interest should be specifically provided as subject to any law for the time being in force for the relief of debtors, which authorises the courts to scale down the interest and give relief to the debtors. It should, however, be provided that as against a holder in due course, no claim or defence based on any relief available under any statute for the relief of debtors will be allowed to be set up.

The rate of interest specified in the act should apply both to a case where the instrument is silent only as to the rate for such payment. But, with reference to instruments payable on demand, this provision should be made applicable only to instruments other than cheques. With reference to cheques the provision should apply only from the date of dishonour.

The rate specified in the Act is the minimum applicable when the parties have not cared to provide for payment of interest at a specified rate. Hence it is not necessary to consider any upward revision of the rate at which interest should be payable under the Act, if the instrument is silent as to interest rate.

With reference to a usance bill or a note, the rate of interest specified under the Act should apply, when the instrument is silent, for determining the interest payable either for the period of usance or for the period commencing from the date of default, or both, as the case may be.

While the rate specified in section 80 of the NIA works as the minimum rate of interest recoverable, the rate specified in section 34 of the civil procedure code operates as a ceiling rate at which interest is recoverable. Hence, the appropriateness or otherwise of the rate specified in section 34 has to be considered with reference to market conditions. This provision also works adversely against banks, since the funds which would have gone to several better purposes are not only stagnated, but by committing default the concerned parties may continue to avail themselves of the benefit of the funds at a rate much lower than the rate prevailing in the market from the date of decree to the date of realisation, a period which is usually extended to a very considerable length of time by unscrupulous parties by adopting a variety of dilatory tactics. Hence, with reference to claims on negotiable instruments - there may be similar justification for suits based on other money claims as well - the rate at which the decretal amount is recoverable from the date of the decree should be rate specified on the instrument so long as it is not unreasonable or unconscionable. What is "unreasonable" or "unconscionable" would vary with the facts and may also vary having regard to the nature of the lending institution and this may be left to be decided by the court. In other words, the rule should be that the decree should provide for interest, from the date of suit to the date of realisation, on the principal amount at the rate specified in the instrument or the minimum rate specified in section 80 of the NIA when the instrument is silent as to the rate, as the

case may be, unless the court reduces the rate of interest specified in the document on the ground that it is unreasonable or unconscionable.

When a note is payable in instalments, on the default in the payment of any instalment thereof the balance amount due under the instrument shall also become payable unless the instrument states otherwise.

The provision in the negotiable instruments law relating to days of grace should be abolished, except with reference to a bill drawn, or a note made, before the date of coming into force of the provision for abolition. On and from that date, a bill or a note shall become due and payable on the last day of the time of payment as fixed by the bill or note, or if that is a non business-day, on the succeeding business day.

Section 25 of the NIA should be modified to adopt the succeeding business day rule. Having regard to the fact that the pressure of work is quite considerable now on Saturdays, which are half-working days for banking institutions in India, presentment should also be excused on Saturdays. Hence, when the maturity date of an instrument falls on Saturday, Sunday or a public holiday, the instrument shall become due on the succeeding full business day.

Section 25 of the NIA should be amended to provide that the State Governments shall also be entitled to declare "public holidays" for their territory.

The practice followed in our country with reference to presentment especially by banks, and the requirements of the NIA, are not entirely consistent nor are both in conformity with the procedure suggested by the uniform Rules for the collection of commercial paper.

"Presentment" may be defined as for acceptance or payment made upon the maker, acceptor, drawee or other party liable on the instrument by or on behalf of the holder. The party to whom presentment is made may, without dishonour, have the right to require:

- (a) exhibition of the instrument; and
- (b) reasonable identification of the person making presentment and evidence of his authority to make it if made for another; and
- (c) that the instrument be produced for acceptance or payment at a place specified in it, or if there be none at any place reasonable in the circumstances; and
- (d) a signed receipt on the instrument for any partial or full payment and its surrender upon full payment.

Failure to comply with any such requirements should invalidate the presentment but the person presenting should have a reasonable time in which to comply and the time for acceptance or payment should run from the time of compliance. Unless otherwise instructed, a collecting bank should be allowed to present an instrument not payable by, through or at a bank, by sending to the party to accept or pay a written notice that the bank holds the instrument for acceptance or payment. The notice must be sent in time to be received on or before the day when presentment is due. The drawee or other party liable should have 48 hours (exclusive of public holidays) from the close of business of the day on which such notice is received from bank for as King the bank to comply with any such requirements. The bank should comply with any such requirements within 48 hours (exclusive of public holidays) from the close of business of the day on which the bank received notice of such requirements. When presentment is made by notice, if neither

acceptance/payment nor request for compliance with any such requirements is received within the specified time, the presenting bank may treat the instrument as dishonoured and charge any secondary party by sending him notice of the facts.

Having regard to the special position occupied by banks and banking convenience and the need for expeditious settlement where a bank has to meet the claim, in the case of a bill to be accepted or bill or note payable at a bank, it should be required to be presented at such bank.

It is not necessary that the validity of presentment for acceptance or payment by the post should depend on proof of any such usage. Hence, presentment should be allowed to be made:

- (a) by a registered letter, in which event the time of presentment is determined by the time of receipt of the letter; or
- (b) through a clearing house; or
- (c) at the place of acceptance or payment specified in the instrument or if there be none, at the place of business or residence of the party to accept or pay. If neither the party to accept or pay nor any one authorised to act for him is present or accessible at such place, presentment shall be excused.

In order to fix the acceptor with liability a bill should be required to be presented for acceptance before it is presented for payment.

Presentment for acceptance should be necessary to charge the drawer and endorers of a bill where the bill so provides or is payable elsewhere than at the residence or place of business of the drawee, or its maturity depends upon such presentment, and the holder may at his option present for acceptance any other bill payable at a specified date. A cheque must be presented for payment before the drawer and endorers thereof could be made liable thereon.

Presentment for payment is not necessary to charge the maker of a note or the acceptor of a bill.

Presentment whether for acceptance or for payment, should not be necessary, or may be excused, in circumstances where non-presentment is not likely to prejudice or otherwise affect the parties whose liability is dependent on such presentment. Again, in conditions where presentment would be an empty formality and is not likely to result in the instrument being accepted or honoured, as the case may be, presentment is not necessary.

Where the instrument is not accepted, or payment is refused, and the ground for rejection is not related to any defect in presentment, then the want of proper presentment should not be allowed to be set up as a defence.

Presentment for acceptance should be excused in the following circumstances:

- (a) if the maker, acceptor or drawee intentionally prevents the presentment;
- (b) as against any party to be charged therewith, if he has engaged in writing to pay without such presentment;
- (c) as against any party if, after maturity, with knowledge that the instrument has not been presented for acceptance, he makes a part payment on account of the amount due thereon in whole or in part, or otherwise waives his right to take advantage of any default in presentment;
- (d) as against the drawer, if he cannot suffer damage from such non-presentment; and

(e) as regards an endorser, where the instrument was made, drawn or accepted for the accommodation of that endorser and he has no reason to expect that the instrument would be paid even if presented for acceptance. Negotiable instruments are drawn with a view to have them honoured on their maturity. Where the person to pay is dead or bankrupt, the chances of immediate payment either are not there or are remote. However, though the holder should have the choice to make presentment, he should not be required to make presentment for payment when the drawee or maker is dead or bankrupt. The provision excusing presentment when the maker or the drawee or acceptor is dead or insolvent should not apply in the case of documentary bills.

In order to reduce disputes and eliminate scope for controversy, notice of dishonour should be required to be given in writing signed by or on behalf of the holder.

The holder of a bankrupt's acceptance should be allowed to exercise his right of recourse against the drawer and endorsers without waiting till the bill falls due for presentment for payment.

It is necessary to specify the categories of personnel who could be approached when the services of a notary public cannot conveniently be availed of. Hence, the following categories of persons may be empowered to make a protest or other notarial function with reference to:

- (a) Members of Parliament or of any State Legislature;
- (b) the classes of officers of the Central or of any State Government who would have qualified as gazetted officers;
- (c) sub-divisional magistrates or officers;
- (d) tahsildars, naib or deputy tahsildars authorised to exercise magisterial power;
- (e) block development officers;
- (f) post-masters;
- (g) Panchayat inspectors.

It is necessary to permit a notary or other authorised person to make presentment by registered letter with acknowledgment due, without reference to any agreement or usage regarding the same.

So long as the notary or other authorised person takes the responsibility, it is not necessary to go beyond except where want of bona fides is attributed to him. Hence, ordinarily, there should be no objection for a notary or other authorised person being allowed to certify a protest "upon information satisfactory to such person".

All the courts in the country having original civil jurisdiction should be permitted to decide claims arising on negotiable instruments by applying the summary procedure provided for in order 37 of the civil procedure code.

The adequacy and effectiveness of the present provisions providing for summary procedure in order 37 of the civil procedure code should be gone into by the Government in consultation with High Courts and to the extent possible its provisions should be modified to ensure that the summary procedure is really effective to arrive at a decision to dispose of the case in the least possible time.

### **Conflict of Laws**

The conflict of laws/rules is really a part of the national system of administration of justice. Having regard to our expanding export and import trade and the diversification thereof, it is necessary that the conflict of laws/rules in our

Act accord to bankers, merchants and traders a parity in the treatment their counterparts receive in other countries. An arbitral statutory rule is preferable instead of leaving the holders of the instruments to conjecture about the proper law applicable. What businessmen need is a rule of law which can be stated to parties in advance of action and upon which they can act with ease and certainty.

The "proper law" doctrine is not consistent with the general principle of negotiable instruments law that terms and conditions not *ex-facie* apparent in the instrument should not be allowed to be set up, especially against a holder in due course.

It is not in public interest to allow the parties unfettered choice to select their own law for determining rights and liabilities with reference to negotiable instruments. Nor it is correct to allow the parties the right to alter any rules stated in the act by contracting otherwise. However, where the act is silent and with reference to foreign instruments, the parties may be permitted to choose a law that has a reasonable connection to the transaction and this could only be either the *lex loci contractus* or the *lex loci solutionis*, provided the choice is expressly stated in the instrument.

Having regard to the complexity of their work, and the speed with which they are required to function, it is just that banks and their branches should be saved from the botheration of ascertaining the procedural requirements under the foreign law with reference to matters covered by bank collection process. Hence, the law should provide that the liability of a bank for action or non-action with respect to any instrument handled by it for purposes of presentment, payment or collection should be governed by the law of the place where the bank is located. In the case of action or non-action by or at a branch or a separate office of a bank, its liability should be governed by the law of the place where the branch or separate office is located.

The conflict of laws/rules should indicate, unless unavoidable, both as regards matters of form and validity and with reference to matters of liability, that the same system of law is applicable; application of different systems to determine form and validity and to determine liability will not work well, will cause avoidable hardship to the parties and is likely to breed litigation as to whether a question is one of form and validity, or of liability, since matters of form and validity generally determine the liability.

For determining the validity of an instrument with reference to requisites in form, it is only the law of the place of contracting that has to be applied.

Subject to the exceptions that are indicated later on, both for determining the essential requisites as to form and for determining the liability of parties, the conflict of laws/rules should provide for applying the law of the place of contracting.

The liability of an endorser of an instrument should also be governed by the same conflict of laws rules that determine the liability of the drawer of a bill.

There is no valid reason why the rights under an instrument executed outside India should be affected in India for its failure to comply with the stamp law requirements of the country of origin. Hence, the law should provide that where an instrument is issued outside our country, it shall not be regarded as invalid in India merely by reason of the fact that it is not stamped in accordance with the law of the place of

issue.

The validity of supervening contracts made in India with reference to an instrument issued outside India but made payable in India should not be affected by reason of the instrument not conforming in any respect to the requirements of form of the place of issue.

Where an Inland instrument is endorsed in a foreign country, the legal effect of such endorsement as regards the payer should be according to the law of India.

The general rule as to capacity should be one of *lex loci contractus*. Nevertheless, when a person lacks capacity according to the law of the place of contract, he should be bound if, according to the law of his domicile, he is not lacking in capacity.

The law of the place where the instrument is payable shall govern:

- (1) the duties of the holder with respect to presentment for acceptance or payment;
- (2) the date of maturity;
- (3) what constitutes dishonour by non-acceptance or non-payment; and
- (4) the necessity for and sufficiency of protest in notice of dishonour.

Consistent with the provisions to be made to decide the form and validity of an instrument and the liability of parties no separate provision is necessary to determine questions relating to payment and satisfaction.

Where an instrument is drawn outside the country but is payable in India and the sum payable is not expressed in the Indian currency the amount shall, in the absence of some express stipulation, be calculated according to the rate of exchange for sight drafts at the place of payment on the day the bill is payable.

## Cheques

The extent to which the cheque system is popular is an indication of the coverage of the financial transactions of a country by the banking system. While in the advanced countries practically all the transactions are paid by cheques or other allied media, through the banking system, cash transaction forms a predominant part of the Indian economy. Though in recent years there has been an increase in our country in the volume of transactions through cheques, it has been the result only of rising deposits and not due to larger turnover of deposits, which should have come about if the cheque habit on an overage had gone up. Actually, the velocity of circulation of deposits has shown a marginal decline over the period 1965-66 to 1972-73.

Banks have to be assisted in the task of mobilising deposits and diversifying investments for a massive spread of the banking habit in the rural and urban areas by an extensive use of the cheque system.

The spreading of cheque habit is vital for the garnering of domestic resources by the banking system of the country. The spread of the banking habit, resulting from the greater resort to cheques in settling transactions, will pave the way for the integration of the monetary system and will make the monetary policy more effective. Since it is generally felt that the preference for cash transactions is mainly due to the existence of tax-evaded income, the spreading of cheque habit is highly conducive to public interest. Having regard to the

general feeling regarding the extent of the malaise of tax-evaded income and its adverse impact on the general economy of the country, there is an imperative necessity for adopting in our country adequate measures for the spread of cheque habit.

The cheque habit became native to the English people and hardly was there any need for any special measures to promote the cheque habit. The reverse was the position in the continent, and special measures had to be taken there which ensured their readier acceptability and freer circulation. Partly this is also true with reference to the position in the U.S.A. We are now faced with an analogous situation.

Over the course of years, the banking practice in India has developed on certain lines and when this is viewed in the light of the provisions of the NIA, on some of the aspects relating to cheques there is necessity for statutory clarification.

It would considerably promote ready acceptability of the cheque if the issue of a cheque can be considered as operating as an assignment of the available funds with the bankers, in favour of the holder. There is sufficient justification for applying the principle of assignment of the available funds with reference to cheques, without extending the principle to bills in general. On practical consideration, such a distinction may be necessary having regard to our policy objective. There is also theoretical justification.

Where a drawee-banker has in his hands funds available for the payment of a cheque which has not become stale, the cheque should operate as an assignment of the sum for which it is drawn, or of the sum available to meet the cheque, as the case may be, in favour of the holder, from the time when the cheque is presented to the drawee banker. The drawee-bankers may ask for a receipt on the cheque, and an additional receipt, when he makes a partial payment on the cheque.

Explanation: For the purpose of this provision, the cheque shall be deemed to be presented to the drawee-banker only after the banker has had a reasonable time to ascertain the extent and availability of funds to meet the cheque.

Since the countermand of each cheque must be specially handled it throws a substantial burden on the holder and the drawee whether the drawer's order is observed or not. By countermanding the drawer is able to shift the burden to the payee in an action on the underlying obligation which he would not be able to do had he paid in cash. In the majority of the countries of the world, there are severe restrictions on the drawer's right to countermand.

As between the drawer and the drawee the drawee should be protected if he acts on the instructions of the drawer. But the drawer's liability to the holder for damages for his wrongful action should be clearly provided for.

(1) The duty and authority of a banker to pay cheque should be terminated by countermand of payment thereof by the drawer;

(2) Notwithstanding the above, the drawer should not be entitled to countermand payment unless he can show

- (a) that the cheque has been lost or stolen or,
- (b) that the holder thereof has become insolvent;

(3) without prejudice to any penal liability he may become subject to, if the drawer is shown to have countermanded payment in other circumstances, he shall be liable to the holder of the cheque for damages;

(4) where a countermanded cheque is presented to the banker for payment, the banker shall:

(a) advise the presenter about the countermand and the drawer about such presentment;

(b) set apart any available funds towards the cheque; but if within a period of three months from the date of such presentment the presenter or holder does not serve the bank with notice in evidence of his having taken legal proceedings to establish his title to the set apart funds, the banker shall recredit the account of the drawer with the amount so set apart; and where the presenter or holder takes suitable legal proceedings within such time, the banker shall abide by the direction of the court regarding the title to the amount so set apart.

Cheques are meant for immediate payment and the practice of issuing post-dated cheques is neither a healthy one nor is it in public interest. Generally post-dating of a cheque is a device to avoid stamp duty payable on a usance instrument. It is also not in the interest of public policy to countenance post-dated cheques.

A cheque should be payable at sight and on the day of presentment though it is post-dated.

The death of a customer should not terminate the duty and authority of the banker to pay the customer's cheques until the expiry of a period of ten days from the date of the banker's knowledge of the death of the customer. However, within such period any person claiming an interest in the account may, by notice in writing, ask the banker not to pay the customer's cheques, or not to pay a particular cheque of the customer. Any such notice shall have the same effect as an order issued to a banker by a customer countermanding payment of a cheque. In such a case, or when a cheque drawn by the customer is presented for payment after ten days from the date on which the banker has knowledge of the death of the customer the provisions stated supra when there is a countermand of a cheque by the customer shall apply.

As in the case of the death of a customer, other cases of adjudication of incompetence (e.g. lunacy) of a customer, other than an adjudication of insolvency, should be similarly dealt with.

Where a customer is adjudicated as an insolvent under the insolvency law, public policy requires that the interests of the general body of creditors should not be affected. Hence, the banker's authority to pay the cheque should not survive after the drawer is adjudged an insolvent and the holder will have to prove his claim before the assignee. But any payment by the banker, until he has notice of such adjudication and has reasonable opportunity to act thereon shall nevertheless be valid.

The negotiable instruments law of all systems envisages certification of cheques by banks, though judicial recognition thereof in this regard in the U.K. and in India is now confined to the practice amongst clearing bankers. Since it usually involves undertaking some commitment or obligation to third parties, the reluctance of bankers to certify cheques, except in certain circumstances, is understandable. But while it may not be made obligatory for banks to certify, it is necessary to clarify statutorily the legal effect of certification in India.

(a) Certification of a cheque shall be regarded as acceptance. Where a holder procures certification, the drawer and all other prior endorser shall be discharged.

(b) Unless otherwise agreed, a banker shall have no obligation to certify a cheque.

(c) A banker may certify a cheque before returning it for lack of proper endorsement. If he does so, the drawer shall be discharged.

There is no justification in law for the practice followed by banks, whereby they refuse to honour a cheque presented after a period of six months from the date it bears, without obtaining the confirmation of the drawer. Statutory protection has to be given to this practice. Hence, the state should provide that a banker may refuse to honour a cheque presented six months after the date it bears though he may nevertheless charge his customer's account for payment made in good faith thereafter.

A cheque crossed "account payee" should be made not negotiable.

A cheque crossed "not negotiable" should cease to be negotiable.

It is necessary to take care of the special requirements of institutions like the Life Insurance Corporation, the public agencies like Government Departments, for their issuing cheques with receipt forms. Such arrangement, between bankers and such special types of customers, as envisaged by the Mocatta Committee in the U.K., may become necessary in our country as well. The law has to be made clear to extend to bankers the protection they have with reference to cheques also with reference to their handling of cheques with receipt forms.

Practically in all the countries of the world, the dishonour of a cheque for insufficiency of funds available to the credit of the drawer may give rise to penal consequences. Differences exist only with regard to attendant circumstances to be established before the penal consequences are brought home to the drawer.

Section 415 of the penal code is hopelessly inadequate to curb the evil resulting from the issue of bad cheques: the practical difficulties in proving a crime of cheating when a worthless cheque is passed on are formidable. There are also the following lacunae with reference to the coverage of the provision relating to cheating:

a) When a person gives a bad cheque in repayment of an earlier debt, he may not be considered as thereby inducing another to deliver to him, or consent for his retention of, any property. When goods are delivered in anticipation of payment, say, for a period of one month, and a cheque is accepted in the month end, if the cheque bounces for lack of funds, "cheating" may not be established as the supplier of the goods was not induced to deliver the goods by the issue of the bad cheque.

b) Again, when a bad cheque is given in payment of wages or other services rendered, there is neither delivery nor retention of property, and this may not amount to "cheating".

c) Now, before dishonesty could be established, there has to be a wrongful loss or wrongful gain, and such loss or gain can arise only when an unlawful means has been adopted. When a person gives a cheque, it is very difficult to consider that he is employing any unlawful means, unless the facts are so extreme as to warrant a conclusion that he could have had no reasonable belief that he was passing a negotiable instrument of any real value.

d) There are no statutory inferences which are found in

the provisions of other countries as to when a prima facie fraudulent or dishonest intention could be presumed.

e) There are also no provisions which would penalise a reckless issue of a cheque without reasonable cause to believe that the drawer had adequate funds in his account.

f) We do not also have adequate provisions giving any grace period within which a person whose cheque bounces can pay and thereby not only save his credit but also save the economic consequences flowing as a result of circulation of bad cheques.

Having regard to the position of other countries, the adverse effect on the economy when bad cheques are not severely dealt with and the damage to the cheque transfer system this causes, it is necessary to rectify the above lacunae.

Sufficient safeguards could be taken and innocent persons' interests amply protected if the measures for the spreading of cheque habit including those with reference to the issue of bad cheques are brought into force after a specific period, say, six months, from the date on which the provisions are enacted. Within this period of six months, the Central Bank of the country and other banks can adequately publicise the measures taken to popularise the cheque habit and the date from which such measures would come into force. It is necessary for the penal law to deal with the crime of obtaining pecuniary advantage by deception or dishonest means. Such an offence should not be confined to deal with only causes of bouncing of cheques, but should be a general one applicable to cover also other similar instances.

(1) A person who by any deception dishonestly obtains for himself or another any pecuniary advantage shall on conviction be liable to imprisonment for a term not exceeding five years.

#### Explanations:

(a) Where any debt or charge for which a person makes himself liable or is or may become liable (including one not legally enforceable) is reduced or in whole or in part evaded or deferred, he shall be deemed to have obtained a pecuniary advantage.

(b) As against the maker or drawer, the making, drawing, uttering or delivering by such maker or drawer of a cheque, bill or order, payment of which is refused by the drawee because of insufficient funds of the maker or drawer in his possession or control shall be prima facie evidence of knowledge of insufficient funds or credit with such drawee and of intent to obtain pecuniary advantage by deception.

Provided, however, where such maker or drawer pays the holder of the instrument the amount due thereon within five days of his receiving notice in writing that such instrument has not been paid, no such knowledge or intent shall be presumed.

(c) For the purposes of this provision, "deception" should mean any deception (whether deliberate or reckless) by words or conduct as to fact or as to law, including a deception as to the present intentions of the person using the deception or of any other person.

(d) For the purposes of this provision, a person should be considered to act dishonestly by causing wrongful gain or wrongful loss whether such gain or loss of money or other property is temporary or permanent, and for this purpose :

(a) "gain" shall include a gain by keeping what one has, as well as a gain by getting what one has not; and (b) "loss" shall include a loss by not getting what one might get, as well as a loss by parting with what one has.

(2) Where the person who has obtained the pecuniary advantage is a corporate body, any deception practised by, or with the consent or connivance of, any director, manager, secretary - or other similar officer of the corporate body or of a member acting in the course of his management of a corporate body, or of any person who was purporting to act in any such capacity. Such person as also the corporate body shall be liable for the offence.

A provision on the above lines should be introduced in the penal code by inserting it after section 415.

In order that the holder of a cheque is not to incur heavy expenses and considerable loss of time and as it is a serious economic crime, the obtaining of a pecuniary advantage by issuing a cheque with inadequate funds at credit should be made a cognizable offence, though it may be allowed to be compounded by the holder.

Any unjustified countermand by the drawer should also be visited with penal consequences in the same way as the issuance of cheque without funds or credit available to meet the cheque. Mere civil liability for damages (assuring damages could be proved) will not be sufficient deterrent to guard against improper use by the drawer of his right to countermand.

The drawer of a cheque, who countermands payment thereon when he has no reasonable cause to believe that the cheque is either lost or stolen or that the holder of the instrument has either committed an act of insolvency or been adjudged an insolvent, shall be liable to imprisonment for a term not exceeding five years.

#### Explanations:

(1) The burden of establishing that the drawer had reasonable grounds for believing that he was justified in countermanding the cheque on any one of the above grounds shall be on the drawer in any action against him instituted by the holder.

(2) Where the person who has countermanded payment is a corporate body, any unjustified countermand made by, or with the consent or connivance of, any director, manager, secretary or other similar officer of the corporate body, or of a member acting in the course of his management of a corporate body, or any person who was purporting to act in any such capacity, such person as also the corporate body shall be liable for the offence.

A provision on the above lines should be introduced in the penal code by inserting it after the provision dealing with the offence relating to obtaining pecuniary advantage by deception.

A bureau to disseminate information on unpaid cheques, on the lines of the central Card Index of cheques maintained by the Bank of France, is beneficial for its preventive, repressive and curative roles. In its preventive role, the banker is helped in his assessment of a person whether or not he is creditworthy and it furnishes valuable information about the antecedents of a customer. In its repressive role, it clarifies and facilitates the process of law in dealing with those responsible for issue of bad cheques. In its curative role;

thanks to the effect of intimidation and of education a registration in the Card Index cannot fail to exert a healthy influence on certain drawers who may be more negligent than dishonest.

The measures for curbing the issue of cheques without sufficient funds should be supplemented by a system which provides for the management by the Central bank of the country, namely, the Reserve Bank of India, of a bureau for collecting and disseminating information on unpaid cheques, somewhat on the lines of the central Card Index of the cheques maintained by the Bank of France. It is necessary to give legislative sanction for furnishing of information by the bureau of banks and to investigating and judicial authorities. Such a bureau would be a very effective adjunct to the credit information Bureau now being operated by the Reserve Bank of India pursuant to the provisions contained in chapter III-A of the Reserve Bank of India Act, 1934. The legislation in this regard may find place as a separate chapter of that Act.

Persons opening chequeable accounts should be required to disclose their income-tax code number to the banks concerned, which the banks may furnish to the bureau for identifying the drawers when their cheques bounce for inadequacy of funds.

Section 40(A) (3) of the Income-tax Act requires that in order that an expenditure of exceeding Rs. 2,500 may qualify as an allowable item in computing the tax liability, the payment thereof has to be effected by means of a crossed cheque or a crossed draft. Whether payments by indigenous negotiable instruments (hundis) should also be treated on par with payments effected by crossed cheques or crossed drafts, is a question to be considered while dealing with the codification of the practices and usages relating to indigenous negotiable instruments. Subject to this reservation, the principle underlying section 40(A)(3) of the Income-tax Act is salutary and merits inclusion in the package of proposals for promotion of cheque habit.

The statute should provide for the compulsory maintenance of chequeable accounts with banks by merchants and traders.

All payments of wages and salaries above Rs.1,000 should be compulsorily required to be made either by a draft to the bank accounts of the employees or by means of crossed cheques or crossed drafts.

A period of six months to one year from the date of the legislation to implement the provisions suggested in the chapter on "cheques" may be allowed before the relative provisions are brought into force. This would ensure that honest and innocent persons are not affected by the measures.

It is necessary to acquaint bankers, merchants and traders and the public at large with the measures for the spreading of the cheque habit in the larger interests of the country's economy. Banks may be required to print on the inner cover of the cheque books important details of the measures introduced with reference to cheques. The public should be made aware of these measures by the Reserve Bank of India by the issue of special pamphlets, bulletins and press releases prepared for this purpose. The Reserve Bank should also arrange for appropriate training programmes to impart special instructions to officers and other employees of banks to acquaint them with the new measures.

## Banker's Drafts

There are some general problems regarding "banker's drafts" which cover both inter-bank and inter-branch instruments payable on demand. As regards the second category of banker's drafts (inter-branch instruments payable on demand, i.e., "drafts" as defined in section 85A of the NIA) there is need for statutory clarification as regards their legal status and their incidences on the rights and liabilities of those who handle them.

It is not correct to regard a negotiable instrument as a form of receipt given for the transmission of money in the case of a purchase of a banker's draft. The fact that the object of the purchase is to remit the money should not affect this question. It is a recognised purpose throughout the world to use a negotiable instrument as medium for the transmission of funds. Thereby the issue of the instrument is not considered as creating a contract for the carriage of money. It is also not correct to regard the purchase of a draft as in no way different from a mail or a telegraphic transfer where there is no question of the issue of any instrument. Hence there is no justification to sustain the distinction so far maintained by judicial decisions in India between the purchase of a banker's draft for the purpose of transmission, and purchase of a bankers' draft ordinarily. The holder of the draft cannot claim the rights of a holder of a bill and the additional right to get the amount of the draft in preference to the general body of creditors.

When a banker's draft (that is, an order to pay money, drawn either by one bank on another or one office of a bank upon another office of the same bank, for a sum of money payable to order on demand) is purchased, no usage or practice inconsistent with the terms of the instrument shall be allowed to be set up.

Since "holder" by definition would include also the purchaser of the instrument banks may not have much difficulty in recognising the claim of the purchaser either for issue of a duplicate of the banker's draft, or for effecting payment to him of the amount covered by the instrument when they are satisfied about the claim, after obtaining suitable indemnity.

If the holder of a banker's draft, which is lost, is able to establish adequately his capacity as such, his claim for a duplicate thereof should not be denied merely for the reason that the purchaser refused to co-operate with such holder in approaching the bank for obtaining a duplicate.

When the purchaser asks for cancellation of a banker's draft, the bank has to be satisfied about non-delivery of the instrument to the named payee. In the absence of any suspicious circumstances, the production of the instrument itself would be the best evidence of non-delivery. But the bank would not be justified to cancel the banker's draft or countermand payment thereof after it has been delivered to the named payee.

There is no valid reason for the difference in the law and the practice in India regarding the status of "drafts". Whether the inter-branch instrument issued by a bank is treated as a cheque or a note, it is clear that all the provisions applicable to cheques or notes cannot be extended to such an instrument. Since no third person is involved and both the drawer and the drawee are the same, the obligation is on the bank to pay the draft, and the liability of the maker of a note and that



of the drawer of the draft are not in any way different. The draft is on all fours in legal effect with a promissory note payable on demand at a specified place. Since it is a question of basic liability and not merely a matter as to where the instrument is payable, the fact that for certain procedural requirements as to the performance of the obligation, branches of the same bank are considered as distinct, would not affect this question. What the banker really needs with reference to drafts is the application of certain special provisions, which do not now extend to notes, to facilitate the issue and handling of such instruments by him.

The special provisions that have to be extended with reference to "draft" when understood as a note, are:

- (1) provisions relating to crossing;
- (2) the extension of the provisions granting protection to the paying and collecting bankers in handling drafts—the crossing and protection provisions are now found in sections 85A and 131A of the NIA, and this position will have to be continued;

- (3) the exemption from stamp duty to ensure that drafts are not made liable to duty as demand promissory notes.

Hence the law should provide as under:

- (1) "draft", i.e., an order to pay money, drawn by one office of a bank upon another office at the same bank, for a sum of money payable to order on demand, shall be regarded as a note;

- (2) the provisions relating to crossing and the provisions relating to banker's protection shall extend to drafts;

- (3) notwithstanding anything contained in the stamp law for the time being in force, drafts shall not be liable for any stamp duty.

### Banker's Protection

As banks undertake and play a more positive and active role in the fulfilment of the country's socio-economic objectives and venture out of their conventional and narrow confines, it is but natural that the range of protection to them requires to be broadened in content and coverage to facilitate banks to effectively perform the special tasks assigned to them. Again, the surveys conducted and studies made have also brought the gap in the applicable protective provisions of our law and the need for extending the scope of such provisions with reference to instruments analogous to cheques. While the paying banker knows the state of, and takes the responsibility for the authenticity of the signature of the drawer, and the collecting banker similarly may know the holder for whose account he collects, the former cannot be presumed to have any special knowledge about the payee or other holders of the instrument and the latter about the drawer and the previous holders of the instrument. The banker collecting in good faith an instrument to the credit of an ostensible payee or endorsee should not be saddled with responsibility if his constituent's title is subsequently found to be defective or wanting. Responsibility when it attaches can only relate to areas in which in his respective roles the banker has means, access and duty to undertake such responsibility. The standard of care required of bankers should at any given point of time be decided with reference to established banking practices.

The extent of growth in the number of offices of commercial banks and the increase in the number and value of

cheques handled by banks for more than a decade past give sufficient indication about the magnitude of the problem and of the consequent need for clear statutory provisions to facilitate utmost expedition in the handling of cheques by banks. It is a reasonable assumption that in the years to come the rate of increase in chequeable deposits in our country for over a decade, the increase in the number and volume of cheque transactions in the recent past and their increase that could naturally be expected as a result of implementation of the special measures for spreading cheque habit would make the use of cheques in our country comparable to their use in the U.K. Though for the scheme of "banking regulation" even those accepting non-chequeable deposits may be regarded as doing "banking" (as the definition of "banking" in the Banking Regulation Act would also indicate), it is only those authorised to accept chequeable deposits who should be eligible to claim the special privileges and who may be able to fulfil the special role assigned to "banker" under negotiable instruments law. This is as many of the special privileges conferred on a "banker" under the NIA, or which are now proposed, would be inappropriate with reference to a person not authorised to accept deposits withdrawable by "cheque." Moreover, the special privileges which may be accorded to the "bankers" should be confined to those companies or corporate bodies which are subject to the discipline of the banking regulation.

"Banking" should be defined in the negotiable instruments law as a "company" or other corporate body which is authorised to accept deposits withdrawable by cheque.

There is no provision in our country which extends protection to bankers paying and collecting instruments analogous to cheques, on the lines of the protection available to bankers in the U.K. for the last several decades. Essentially, such absence of protection is responsible for the reluctance of bankers in India to allow cheques with receipt forms being used even by customers who may have a genuine and valid need for this facility, like the Life Insurance Corporation, by special arrangements with the banks concerned. It is necessary that the scope of the bankers' protection in India should also extend to their payment and collection of instruments analogous to cheques, like cheques with receipt forms.

The protection available to paying and collecting bankers with reference to cheques and drafts should also extend to their payment and collection of instruments for a series of money payable to order on demand, which are drawn on them, or are collected by them as the case may be.

The negotiated cheque is a rarity and the requirements of law meant to deal with such rarities should not press too heavily on the banks' time and labour in their handling of the total volume of cheques and thus impair their speed and efficiency.

The burden on the payee of verifying that the cheque is made out exactly in the correct name is felt much more in India where the endorsement rubber stamps by the payees are not in common use.

The pointlessness and troublesome nature of the work of examining endorsement and the inconvenience caused to customers by the frequent need to return cheques for "regularisation" of endorsements develop a sense of futility amongst bank staff and cause vexation to bank customers. In most cases, even what purports to be an "endorsement" is not really one, that is one meant for negotiation. A purported

endorsement is required just so that the paying bank may hope to rely on this for the purpose of protection under the NIA. Where the payee has signed the reverse of the instrument, it is not "endorsement" and hardly affords any protection.

In view of the spread in the branches of commercial banks for over a decade past the considerable increase in the number and volume of cheques handled by banks and the further increase that may be expected consequently on the special measures for spreading the cheque habit the time and labour which the public as payees and the collecting and paying banks would have to spend in scrutinising endorsements on order cheques (endorsements on bearer cheques now merit no notice by banks) would be very considerable and in view of the futility of the exercise, there is a clear case for dispensing with this and effecting consequential economy in time and labour.

Provisions modelled on the lines of the Cheques Act of the U.K. are necessary for our country not merely for the protection of bankers but mainly because they are conducive to business expeditiousness and economy. However, profiting by the experience gained on the working of the Cheques Act and the developments in this regard elsewhere, it is not necessary to extend the scope of the protection to cover cases of payment of cheques and allied instruments across the counter, or to cases of a bank collecting cheques not drawn in the name of his customer or in a name which so resembles the customer's name as to lead the banker to believe that the instruments are drawn in favour of the customer (where the Australian provision is appropriate). But it is necessary to consolidate the protective provisions both for paying and collecting bankers. As has been done in Australia, cases of endorsements without authority should also be brought within the protective canopy. Such provision should be applied irrespective of the fact whether the instrument is crossed or uncrossed and should extend to cheques and all other instruments. On the lines of the U.K. Act, the crossing provisions should apply also to instruments allied to cheques. The payment of a cheque or other allied instruments when collected by a banker to the credit of the named payee should be a *prima facie* evidence of the receipt of such amount by him.

The purported signature on the reverse of the cheque by or on behalf of the payee cannot be relied on by the drawee as the purported endorsement and hence the drawee may not be discharged merely by payment of such instrument in due course. Hence strictly speaking, the drawee banker may be discharged where he pays an order cheque across the counter only when the payment is made to the correct person.

In order to inculcate the cheque habit among the public and in order to popularise draft as a mode of remittance, banks should be relieved, by statute, of the obligation to require identification of the payees on order cheques for payments made in their ordinary course of business. But this should not prevent banks from insisting on identification where they consider that the facts warrant it.

Section 85 (1) of the NIA should be amended as;

"Where a cheque payable to order purports to be endorsed and /or discharged by or on behalf of the payee or

endorsee, the drawer is discharged by payment in due course".

There is no provision in the NIA affording protection to a banker collecting an altered item according to the apparent tenor thereof at the time of its receipt for collection on the lines of section 80 of the NIA which protects a banker when he pays in due course an altered instrument according to the apparent tenor thereof. The collecting banker should protect when in good faith and in ordinary course of business he receives payment of an instrument (whether crossed or uncrossed) according to the apparent tenor of the instrument at the time of receipt thereof for collection. It is necessary to safeguard the position of banks which may collect or pay instrument respectively endorsed without any reason to suspect that thereby they are acting contrary to the restorations imposed by the endorsement. Banks ordinarily handle instruments, especially cheques in bulk and have no practicable opportunity to consider the effect of restrictive endorsements. Hence, neither the collecting bank (including the intermediary bank acting on behalf of the first collecting bank) nor the paying bank should be considered as having notice nor otherwise affected by the restrictive endorsement of any person who is not either the bank's immediate transferor or the person who presented the instrument for payment.

It is not clear whether a banker is discharged when payment is made to a person who is a minor to the knowledge of the banker and whether a minor can under such circumstance give a valid discharge. Though probably a banker may be protected by the tenor of the language of section 26 of the NIA, there is every merit in clarifying the position with reference to minor's deposits and safe deposit agreements with banks.

To deal with minor's accounts, the Banking Regulation Act 1949, may be amended to introduce the following provisions.

#### Minor's Deposits and Safe-Deposit Agreements

(a) Receipt of Deposits: A banker may receive deposits by or in the name of:

- (i) a minor,
- (ii) a minor jointly with one or more adults or other minors with the same effect as a joint deposit, or
- (iii) a minor as trustee, or a minor and one or more adults or other minors as trustees, with the same effect as a deposit in trust.

(b) Safe-deposit agreements: A banker may rent a safe deposit box or other receptacle for safe deposit of property to and receive property for safe-deposit from a minor.

(c) Dealings with minor-A banker may deal with a minor with respect to a deposit account or safe-deposit agreement covered by sub-section (a) or (b) of this section without the consent of a parent or guardian and with the same effect as though the minor were an adult. A parent or guardian shall not have any right in such capacity to interfere with any such transactions. Any action of the minor with respect to such deposit account or safe deposit agreement should be binding on the minor with the same effect as though an adult. This section should not affect the law governing transactions with minors in cases outside the scope of this section.

# TASK FORCE ON GENETIC AND BIOLOGICAL CONTROL OF PESTS, 1972.

Report, New Delhi, Department of Health, 1973. 62p.

Chairman: Dr. C.M. Singh  
Members: Dr. S. Pradhan; Dr. S.N. Banerjee, Dr. K.D.  
Paharia; Dr. K.C. Mathur, Dr. D.N. Sriwastava; Dr.  
K.R.P. Singh; Dr. S.V. Amonkar.  
Convener: Dr. M.I.D. Sharma.

## APPOINTMENT

The Task Force on Genetic and Biological Control of Pests was constituted by the Ministry of Health and Family Planning (Department of Health) vide its Resolution No. T.14012/28/72-C&CD.1 dated December 27, 1972.

## TERMS OF REFERENCE

(1) To study method of biological, genetic and other non-chemical methods that are being adapted in various fields for the control of pests;

(2) and advise Government for starting of a project on a massive scale for controlling pests in the public health, agricultural and veterinary fields;

(3) also recommend ways to achieve proper coordination of effort and to have a joint programme by the various concerned organisations.

## CONTENTS

Preface; Constitution of Task Force; Functioning of Task Force; Acknowledgment; Introduction; Arthropods of Medical and Veterinary Importance; Need for further research studies; Arthropods amenable to genetic and biological control; Institution(s)/Organisation(s) where such studies can be carried out; Agricultural pests; Financial Implications; Conclusions and Recommendations.

## RECOMMENDATIONS

1. The large scale use of residual synthetic insecticides particularly those with persisting biological activity pose health hazards in the following ways:

- (i) Direct toxic effects on man and animal,
- (ii) Causing environmental contamination and affecting wild life through persistent toxicity passing through food chains,
- (iii) Disturbing the ecosystem giving rise to the uninhibited growth of certain pests,
- (iv) Resistance of insects to insecticides leading to loss of effectiveness in control programme against the pests and vectors of disease.

2. These problems have necessitated the urgent need for finding out alternate methods of pest control. In the absence

of promising genetic or biological control methods, the chemical control still remains the main sheet anchor for achieving control of pest populations. However, the genetic and biological control methods hold enormous potential for their utilization in an integrated way.

3. The utilization of these methods has been successfully demonstrated in achieving eradication of natural populations of screw worm fly (*Cochliomyia hominivorax*) by release of radiated males in U.S.A. Similarly control of natural population of *Cluex fatigans* was achieved in Sea Horse Key Island near Florida, U.S.A. by release of males sterilized with chemosterilant.

4. In India, a beginning has been made by the ICMR/WHO Research Unit on Genetic Control of Mosquitoes where feasibility field trials for control through sterile males release and by other genetic methods are under way.

5. Similar studies have been initiated by Indian Veterinary Research Institute as a part of the function of the Institute, to work out the feasibility and utilization of these techniques for the control of stable fly and poultry tick.

6. In the field of agriculture, biological control techniques have been effectively utilized in the country for a number of pests of crops/horticulture by use of predators/parasites and pathogens. The Directorate of Plant Protection Quarantine and Storage with the active support of Indian Council of Agricultural Research, Indian Agricultural Research Institute, New Delhi and Commonwealth Institute of Biological Control, Bangalore, have already contemplated number of pilot projects under the Fifth five year plan, to study the feasibility of biological control against (i) sugarcane borers, (ii) rice stem borers, (iii) potato tuber moth, (iv) San-Jose-scale, (v) Boll worms of cotton, (vi) Rhinoceros beetle of coconut, (vii) Phytophagous mites of crops, (viii) Lantana Camara and (ix) *Eupatorium* sp.

7. The efficient application of genetic and biological control methods in comparison to chemical control requires considerable knowledge of the basic biology/ecology of the vector populations involved. Success of these methods would entirely depend on the following:

(1) The parasite/predator to be introduced into an area should harmoniously fit into the prevailing ecosystem, which would so affect the density dependent factors that the pest population is reduced.

(2) Ecological studies on the ecosystem, including the studies on the target and non-target species, the interactions of biotic and abiotic factors should be fully comprehended so that 'remedy' introduced may not by itself become the 'problem'.

8. It would be highly desirable that any promising biological/genetic control method developed, should not only

be given an intensive and extensive laboratory and field evaluation but comprehensive field trials should also be undertaken under diverse ecological conditions, before any of these methods could be recommended for large scale implementation.

9. Besides, research organisations connected with promotion of basic researches in the fields of medical, veterinary and agriculture, other agencies viz. Council of Scientific and Industrial Research, Bhabha Atomic Research Centre and Universities should be encouraged to take up basic research studies for the development of this field of science.

10. These research studies require sustained efforts and undivided attention of those engaged in them. As the returns for profitable field application are slow to come, therefore, the institutions /organizations carrying out this work should receive full support of the Government in financial and other matters.

11. For better organization and management of the research studies on biological and genetic pest control methods, it was considered desirable to establish registry of workers and scientific studies being carried out in the country. In this connection, it is recommended that Director-General Indian Council of Medical Research and Director General Indian Council of Agricultural Research

should be approached to establish registries for genetic and biological control of pests in the medical, veterinary and agricultural fields respectively.

12. There is an urgent need to keep liaison with International Agencies like United Nations (U.N.) including United Nations Development Programme (UNDP), Food and Agriculture Organisation (F.A.O.), World Health Organization (W.H.O.), United Nations Educational Scientific and Cultural Organization (UNESCO), International Atomic Energy Agency (IAEA) and the International Union for the Conservation of Nature and Natural Resources (IUCN) and other agencies for obtaining consultancy services and for co-ordination of international efforts.

13. There is a great need for forming a 'Central Committee for genetic and biological pest control methods in India'. The functions of this committee would be to co-ordinate the efforts put in by various agencies, disseminate knowledge gained in this field, and to deal with related matters connected with the development and promotion of these activities in the country.

14. The total annual financial implications for the Fifth five year plan has been worked out to be Rs. 200 lakhs and Rs. 320 lakhs for medical and veterinary and agricultural fields respectively.

## NCC EVALUATION COMMITTEE, 1972.

Report, New Delhi, Ministry of Defence, 1974. 66p. + 2p.

Chairman: Dr. G.S. Mahajani.

Members: Smt. Laxmi Kumari Chuudawat; Shri Umed Singh Rathia; Shri Brij Raj Singh; Prof. D. Javare Gowda; Dr. B.R. Saksena; Major Ranjit Singh (Retd.); Prof. K.L. Joshi; Shri M.N. Kapur; Shri A.N. Joshi; Shri L. Dayal; Shri Kanti Chaudhuri; Shri D.K. Guha; Shri K. Diraviyam; Lt. Gen. R.S. Noronha; Rear Admiral R.N. Batra; Air Marshal T.S. Virk; Shri S.L. Menezes; Shri P. Dayal.

Joint Secretary: Brig. P.K. Nandagopal.

Secretary: Shri P. Krishnamurti.

### APPOINTMENT

The National Cadet Corps Evaluation Committee to review the working of the N.C.C. was constituted by the Ministry of Defence, Government of India, by a non-statutory Resolution No. 3747 dated 14 December 1972.

### TERMS OF REFERENCE

(1) To evaluate the work of the NCC programme since its inception with specific reference to its aims and objectives;

(2) To recommend measures necessary for changes in the aims and objectives, organisation and training of the NCC programme and consequential financial/administrative arrangements. In making these recommendations, the Com-

mittee should take into account the activities covered by the National Service Scheme and National Sports Organisation in the sphere of youth development.

### CONTENTS

Introduction; Order; The Background; Procedure; Assessment; Consideration of aims of the NCC; Improvements to be effected in the NCC Organisation to Increase its Efficiency; Recommendations; Appendices A to H; Errata.

### RECOMMENDATIONS

#### Strength of NCC

Enrolment in the NCC should be made voluntary, and also selective. Selectivity should be decided both with regard to physical fitness and mental alertness and ability to absorb the training given to them and only those who are found suitable in these respects shall be taken. Thirdly those who do not attend the prescribed number of parades should be discharged without the least hesitation. Unless units are fully subscribed and all ancillary facilities are provided by State Government, they should not be raised.

With regard to the future strength of the NCC, it is difficult to stipulate any figures because this would depend upon:

- (1) the funds available;
- (2) availability of suitable officers and Permanent Instructional Staff (PI staff) from the three services; and
- (3) the encouragement given by the University authorities and the State Governments.

#### A. Junior Division

In respect of the Junior Division, however, we feel that, by and large, it should be maintained at its present level. We hope that Government will consider increasing the strength of the Junior Division at the appropriate time, particularly in view of the great enthusiasm which we have noticed among the members of the Junior Division. In this connection, it would be pertinent to quote the view expressed by Prof. S. Nurul Hasan, Minister of Education and Social Welfare:

"Much more has to be done in respect of JD NCC. To instil a sense of discipline, there is much scope in JD than in SD. The cadet can be moulded and his thinking power can be enhanced. The strength of the JD can be ten lakhs."

Dr. Kothari gave evidence as follows:

"If it is a matter of economy, my personal view is that totally to scrap the JD programme would be false economy; if you have to abolish something, abolish Senior Division rather than Junior Division, but I am for retaining both."

#### B. Senior Division

Considering the amendment which we have suggested to the third aim of the NCC, one of the objects of the Senior Division is to produce potential officers for the Armed Forces. If this object is to be achieved, more intensive training will have to be given to the Senior Division cadets under the supervision of competent officers. To achieve this aim, the strength has necessarily to be reduced to manageable proportions. In this context the strength can possibly be reduced from the present level of six lakhs to a level of four lakhs or even less, on a gradual basis. The strength of the Naval and Air Wings should, however, be maintained at the present level of 12,600 and 11,600 respectively. This would mean that the proposed reduction in the Senior Division will be exclusively in the Army Wing.

#### C. Girls Division

The present strength of the Girls Division is rather meagre considering the expansion of women's education in this country during the recent years. To quote Pandit H.N. Kunzru: "At present there is little attention paid to the Senior Division of Girls...The ratio of SD Girls vis-a-vis SD Boys is 1:10. I feel some more attention is required to be paid towards the increase of SD Girls. After all it is a matter of looking after the family. The girls getting greater amount of training will be able to give good training to their children in future." To quote Prof. S. Nurul Hasan, Minister of Education and Social Welfare: "All importance needs to be given to Girls Division. By joining NCC they will be able to liberate their minds." Prof. Moonis Raza of Jawaharlal Nehru University gave evidence in this regard as follows:

"I would consider Girls Division to be important from

another point. It is an instrument of modernisation as far as girls are concerned. It provides facilities for the girls, otherwise not available to them, which boys normally get outside."

Other evidence also uniformly supports this.

We, therefore, recommend that the strength of Junior and Senior Wings of the Girls Division be increased to 100,000 and 75,000 from the present strength of 67,000 and 61,000 respectively.

#### Age of Entry

We suggest that the age of enrolment to Junior Division be raised to 14 years, from 13 years as at present, in the light of the changing pattern of education. This would mean that roughly children from 8th year and above and till the 12th year of schooling would be eligible to join the NCC. For Senior Division, the age of enrolment must be '18 years plus' and educationally in the 13th year and above.

#### Clothing

Clothing, uniform material and camp items must be made available as per entitlement. Shortages are bound to affect the enthusiasm of cadets adversely. With the contemplated reduction in the strength of NCC, it should not be difficult to meet the requirement in full.

#### Equipment

Good quality equipment in current use with Services must be provided to the NCC Units. Obsolete and outdated equipment leads to disappointment and frustration among the NCC Cadets. 7.62mm (SLR) should be introduced as early as possible. Automatic weapons such as Light Machine Guns and Sten Guns of a pattern in current use in the Army should also be provided subject to security considerations.

#### Refreshment and 'Washing and Polishing' Allowances

Uniformity in all states as regards payment of refreshment allowance and 'Washing and Polishing' Allowances is desirable. We feel that the present rates of these allowances which were fixed long ago are totally inadequate in view of the large increase in the price of food articles, detergents and wages.

Following rates are recommended:

(a) Refreshment Allowance at 30 paise per hour per cadet for both Senior and Junior Divisions at the present prices, as against present rate of 20 paise per hour per cadet.

(b) 'Washing and Polishing' Allowance at Rs. 2 per month per cadet for the training period for both Senior and Junior Divisions against the present rate of Re. 1 per month per cadet.

#### Involvement of Heads of Institutions in NCC Activities

The Heads of Institutions (Principals and Headmasters) should associate themselves closely with the NCC activities.

They should address the cadets jointly with the O.C. immediately after the enrolment and pay visit to parades and see that Officers and Cadets are regular in their attendance.

## Concessions

We are against granting to NCC Cadets academic concessions by way of marks. In the first place they introduce an extraneous element on the popularity of the Corps and cannot be justified on grounds of sound education. Secondly, we expect students to join one of the four streams of NCC, NSS, NSO and work experience (commended by Education Commission); and if concession is given to one, it will have to be extended to all and it will lose all value. And thirdly, out of some 100 Universities, only some four or five have this practice of giving academic credit for non-academic work. We suggest, however, that:

(a) Attendance at any activity connected with NCC should count towards the academic attendance as required by rules.

(b) Universities having Military Studies Department should offer Military Science and elective subject open to NCC cadets.

(c) University be requested to consider if NCC 'B' Certificate could be included in the list of subsidiary elective subjects in the curriculum. Syllabus for 'B' Certificate should be revised suitably.

(d) Government should consider issuing a directive to the effect that, other things being equal, NCC Certificate holders should be given preference in employment in Government Service as well as public sector undertakings. We expect that private sector undertakings also would give due weightage to NCC qualifications in view of the leadership qualities which they acquire through NCC training.

(e) We hope that other things being equal preference will be given to NCC Cadets completing training successfully for admission to post-graduate and professional studies.

## NCC Training during School/College hours

Over the years all concerned with the NCC Cadets, parents, officers and instructional staff, have expressed the desirability of having NCC activities during school/college hours. The difficulty that comes in the way is that only a few boys in an institution are in the NCC and they will miss their lessons if parades are held during school hours. In USSR, military and pre-military training is compulsory for all and, therefore, the following arrangement works well. In the Mendeleev Chemical Technological Institute (i.e. college), which the study group visited, the military chair in consultation with the principal has divided the students of the Institute into six batches. The military activities of each batch are confined to only one day in a week ("military day" for that batch). On a military day, there are six periods of military instructions/field work, two periods of self-preparation (like our tutorials) in the subjects of the day and one period of patriotic education. Thus, instead of parades on two different days in a week, as we have here, a USSR Cadet spends only one day a week in military activities.

A similar system could be considered for introduction in this country with considerable advantage. It should be possible to compress our present six days of academic teaching within five days. The sixth day can be called a "field day" during which the boys and girls in schools and colleges could be given patriotic training for an hour followed by separate training for NCC, NSS, NSO and other hobbies. NCC boys

could be given lectures and demonstrations followed by parades or weapons/equipment training. NSS Cadets can go to some institution or nearby village for social service. NSO boys and girls can devote their time to sports and other activities. Boys and girls who do not belong to any of the three streams can be trained in other hobbies like dancing, singing, photography, art, elocution etc. Such an arrangement to have a field day once a week in all educational institutions will go a long way in improving the health, morale and well-being of the children.

## Establishment-Officers and PI Staff

**Regular Officers:** During the course of our enquiry, we interviewed, besides cadets, several heads of institutions and others interested in the NCC. It was argued by many that the present officer cadre is often of poor quality. Three suggestions may be made to remedy the situation. First, only carefully selected regular officers should be posted to NCC. Secondly, not more than say 20% of these should be from amongst the reemployed category. And thirdly, officers covered by disciplinary cases involving moral turpitude, drunkenness and habitual indebtedness or having adverse comments to these effects should not be accepted by the DG NCC.

We further suggest that Army Headquarters should be asked to consider posting to NCC on par with postings at Regimental training centres. In other words, posting to NCC should not operate as a handicap in any way. In fact the NCC experience should be considered as an additional asset. We were informed that service with NCC is treated at par with shore appointment by the Navy and at par with any other ground appointment by the Air Force.

## B. NCC Commissioned Officers

(1) **Whole-time NCC Officers:** This cadre should be slowly disbanded. Firstly, the full-time commissioned officers from the lecturers cadre should be replaced by regular officers and subsequently the ex-Emergency Commissioned Officers and other granted NCC Commission should be replaced by regular officers. Such of them as are found good and suitable should be considered for longer tenure with better job security. Extension of tenure should be given one year before the termination of the current tenure.

(2) **Part-time NCC officers:** We are of the view that these constitute the backbone of the NCC unit. Being academic men they have considerable influence on the students. Therefore, suitable lecturers should be selected for grant of commission on part-time basis.

## C. The procedure for selection of part-time NCC officers should be:

(1) NCC officers for selection must be drawn from the regular lecturers of a minimum of three years' standing. However, in the case of those who had served in the NCC as Under Officers or had obtained 'B' or 'C' certificates, this provision may be relaxed and they may be taken even earlier.

(2) The prospective applicants should apply direct to the Vice Chancellor or the Director NCC, with one copy to the Principal, who should forward his recommendations to the

Vice Chancellor or the Director NCC.

(3) The principal concerned should be invited to attend as an adviser at the meetings of the Selection Board.

#### D. Training.

(1) Part-time NCC officers should be given intensive training before commissioning. It is recommended that they be attached to Regimental Centre/ Training Centre for 15 days as part of pre-commission training in addition to one undergone in NCC Academy/OTS.

(2) Part-time NCC officers should do service attachment with Military Units at least once in three years by rotation.

#### E. Service Age of Superannuation

The officers should retire after 15 years of service or on attaining 45 years of age, whichever is earlier. This should be strictly enforced.

#### F. Honorarium—Part-time NCC Officers

In order to provide an incentive to the officers, we recommend that the scale of honorarium should be increased progressively with the rank structure. Honorarium should be paid throughout the year. We recommend the following scales in place of the present flat rates of Rs 75 p.m. per SD Officer and 50 p.m. per JD Officer:

SD Officers	2/Lt	Lt.	Capt.	Maj
Amount (Rs.)	75/-p.m	80/-p.m	90/-p.m	100/-p.m
JD Officers	3rd	2nd	1st	Chief
Amount (Rs.)	50/-p.m	55/-p.m	65/-p.m	75/-p.m

#### G. Pay and Allowances—JD NCC Officers

Their rank structure not being related to any rank structure in the Armed Forces, they maintain special status and their pay and allowances while they are in camp or under training do not get revised with the recommendations of Pay Commissions set up from time to time to determine the pay structure of the Armed Forces. This position should be rectified by Government. Further, the officers are not happy with their present designations. The Government may examine changing their designations suitably.

#### H. Permanent Instructional Staff (PI Staff)

It is desirable that the PI Staff posted to NCC Units are those who can speak the local language.

(1) Service Conditions: Service conditions of instructional staff should be improved by providing for living accommodation compatible with their status and seniority in service to help them to function efficiently.

(2) Under Officer Instructors (UOI)/Sergeant Major Instructor (SMI) employed in lieu of PI staff in Girls Division

(a) Their emoluments should be improved. Presently they are entitled to consolidated pay of Rs. 300, Rs. 275, Rs. 225 and Rs. 200 p.m for UOI Gde. I And Gde. II, SMI Gde. I and SMI Gde. II respectively.

(b) Selection and appointment of SD NCC officer from

among them may be considered to improve their prospects further.

#### Direct Entry Facility for JD NCC into NDA

Cadets of the Junior Division with A-2 Certificate and second class in the Higher Secondary or equivalent examination (i.e., Matriculation plus one year) should be allowed to appear before the Service Selection Board without appearing for Union Public Service Commission (UPSC) Examination for direct entry into National Defence Academy (NDA). Presently, only Senior Division Cadets who are graduates and possess 'C' certificate can appear before the Services Selection Board for direct entry into Indian Military Academy (IMA) without appearing for U.P.S.C. Examination.

#### Committees

The system of Central and State Advisory Committees for higher directions should continue as hitherto. A representative of Inter-University Board may also be included in the Central Advisory Committee for NCC.

#### Award of NCC Medals and Ribbons

Institutions of long service medals/ ribbons for 5 years, 10 years and 15 years service rendered in NCC is recommended for NCC Commissioned Officers and NCC Cadet Instructors (Sergeant Major/Under Officer Instructor).

#### Financial Powers and Disciplinary Powers over Civilian Staff

The Committee considers that it is essential for the efficient running of the NCC that the directors are given necessary disciplinary and financial powers. State government should delegate appropriate powers of Head of Department (both financial and administrative) to the Director NCC for effective functioning of NCC. A few States have already delegated these powers to them.

#### Financial Arrangements

We notice from the paper on evaluation submitted by the NCC Directorate General to the 25th meeting of the Central Advisory Committee that the following is one of the various proposals initiated. To quote:

"In view of the multiplicity of responsibility, control and procedures in States, Central Governments and Educational Department and the resultant difficulties of working and functioning of the NCC, the whole organisation including aspects at present under the State Governments be put under the Centre, retaining the present financial division of expenditure and adjustment made through book transfer between the Centre and States."

We recognise that there are difficulties at present experienced, but the remedy implicit in the proposal does not appeal to us. First, it must be remembered that the UOTC which was completely under the Centre functioned before the Constitution was adopted. Education is now a State subject and in the running of the NCC, which has educational objectives even with emphasis on military training, cooperation of

the States—especially the Education Department—is essential. Secondly, the difficulties expressed in the paper can be got over and in fact they have been successfully met in some States.

We, therefore, recommend that the Ministry of Defence should call a conference of State representatives and evolve procedures after mutual discussion for common advantage of all concerned.

#### Organisation of NCC

(a) Directors NCC of States should normally be of the rank of Brigadier or equivalent, except in case of small States where he should be of the substantive/paid acting rank of Colonel, irrespective of the number of cadets authorised for enrolment from time to time. This rank is considered appropriate in view of the fact that he has to deal with State Government authorities, Vice Chancellors of Universities, Principals of colleges, Educationists, and the Formation Commanders.

(b) Group Headquarters is considered an essential link for the command and control and coordination of activities of NCC units. These control units must be provided with suitable light transport. Group Commander's function being liaison, Inspection, Supervision of Training and Administration in Units and Camps, and coordination of resources, he is ineffective without this facility. Where Directorate and a number of Group Headquarters are located in same station, reduction in the number of Group Headquarters may be examined by the Government.

(c) The NCC Battalion should comprise 3 to 6 companies and the number of Junior Troops attached to it should not exceed 12. Battalion headquarters should be strengthened by one Quarter Master Havildar or one Naik store hand. Battalion Commander should have light transport for effectively supervising training of companies in colleges and troops in schools dispersed over distance. Though it is desirable to form Junior Division Battalions, the same is not recommended in view of the financial difficulties. However, scale of instructional staff recommended is placed at appendix 'E'.

(d) Company strength should be reduced from 200 to 160 and should comprise three platoons not exceeding 55 each. Company should have a company commander and one company officer who may command one platoon (both part-time SD NCC Officer) while the other two platoons should be commanded by Senior Under Officer (SUO) Cadets.

(e) It is desirable that Junior Troop strength should be reduced from 100 to 60 and commanded by Troop Commander (part-time JD Officer).

#### Transport

We understand that Ministry of Defence had set up a committee to study and recommend the authorisation of transport for Group Headquarters and different types of Units of NCC. Salient features of their recommendations are as follows:

(a) Group Headquarters should have light transport (staff car). Pooling system is not considered workable excepting perhaps where group headquarters and four or more units are located in the same station.

(b) Officers commanding unit should have light transport (staff car or jeep).

(c) A load-carrying vehicle for carrying stores or cadets and other specific training and administrative duties should be available in unit (3 ton lorry or pick-up-van).

(d) A motor cycle should be available for despatch rider duties, liaison and other administrative duties. Group headquarters and Independent Companies may be authorised Bicycles in lieu.

(e) In artillery unit, field artillery Tractors be replaced by 1 ton truck 44.

(f) Air sqns. doing gliding should be authorised additional jeep exclusively for gliding purposes to achieve their target of 3,500 to 6,000 launches a year.

A statement showing the result of recommendations of the Transport Committee is placed at Appendix 'G'. We would request Government to implement these recommendations as far as possible in order to improve the efficiency of the NCC.

#### Enrolment and Attendance

As stated earlier, enrolment of students in NCC must be voluntary and selective. Rules of attendance must be strictly enforced after they join the organisation.

#### Powers of Punishment over Part-time NCC Officers

Even though directors NCC are required to command and control the part-time NCC officers in their NCC work they have no powers to punish them. It is desirable that directors NCC are entrusted with powers to award 'displeasure' and 'severe displeasure' to the part-time NCC officers with the provision for an appeal to the vice chancellors.

#### Powers of Discharge of SD NCC Cadets

Principals of colleges/institutions should have powers of discharge of S D NCC Cadets as the Headmaster has in respect of JD NCC Cadets.

#### Disbandment

Units having poor attendance should be disbanded. Rules in this regard should be strictly enforced. The Committee understands that a large number of technical units have been under-subscribed. They should be disbanded unless they are brought upto the mark immediately.

#### Training - NCC Cadets

(a) The training programme should be made more intensive and realistic. There should be more contacts between NCC units and Military units. It may be considered whether an NCC unit may be specially attached to particular Military unit which will take special interest in the cadets belonging to the NCC unit. The officers of the Military unit can visit the attached NCC unit when they proceed on leave and this will create a special rapport between the Military and NCC units.

(b) Training should be restricted to two years in JD and two years in SD NCC, provision being made for third year



training in SD NCC only for those opting to take up armed forces as a career, to enable them to pass 'C' certificate examination.

(c) Audio-visual training aids, charts and sand models be made available to NCC units for imparting training to NCC boys and girls.

(d) Camp training should be an annual feature, if possible. Area commanders, Directors of Public Instruction of State Governments, vice chancellors and principals should pay visits to these camps.

(e) Service attachment of Girl cadets to Armed Forces hospitals could be considered.

(f) Service attachment of cadets should be increased.

(g) Para jumping should be encouraged and it should also be thrown open to girl cadets as well.

(h) Increased weapon firing by cadets is recommended.

(i) Obstacle courses for boys should be included in the training programme.

(j) Cadets should be made familiar with the weapons used in the Army. They should also be trained in war techniques and tactics.

(k) Girls Division training syllabus should include physical exercise, self defence, unarmed combat, nursing and child welfare.

(l) Part-time NCC officers should supervise the training imparted by the Instructional Staff. To quote General G.G. Bewoor, PVSM, Chief of the Army Staff in this regard:

"The cadets should as far as possible, be trained by the teaching staff themselves. The PI staff will give them instructions in drill parade and handling of weapons.

More and more part-time officers should be employed for training the SD boys so that the NCC activity forms part of the activities of the educational institutions under the general supervision of the Principal.

Unless there is close supervision on the Part-time NCC officers and PI staff, NCC training will not be very effective. Cadets can be associated with Home Guards and Civil Defence activities to develop leadership qualities."

(m) High standard of training must be ensured by constituting competent boards of officers to test the cadets in the various NCC certificate examinations strictly according to prescribed syllabus. Lowering of standards of tests should not be accepted/permitted. The Board of Officers should be constituted by respective local service formations.

(n) A test of competence should be held before cadets are permitted promotions to various ranks, as per promotion rules.

(o) It is well known that, in times of natural calamities, members of the Armed Forces are pressed into relief work like flood/famine relief, civil defence. But, relief work as such does not form a part of their normal training. Similarly, the NCC cadets will not be found wanting in rendering such service even if there is, as it should be, emphasis on military training. In the training camps, NCC cadets should be given some training in relief work so that they may be able to render service during calamities like floods, fire, famine etc.

#### Allowance for Camps

In view of the rising prices, State Governments should be requested to raise allowances given for camps so that the boys and girls can be given adequate and nourishing food.

#### Arms Kot and Magazines

Arms Kots and Ammunition Magazines should be provided by State Governments at Unit level and on station basis, where they have not been provided.

#### Police Guards

Police guards should be provided at Unit Arms Kot, where they have not been provided, to ensure security of Arms and Ammunition.

#### Strong Rooms and Rifle Racks

Strong rooms should be provided in the College/Institutions by providing grill doors, double locking arrangements, strongly fixed rifle racks and iron-barred windows and ventilators to ensure security of drill Purpose (DP) and Drill Purpose Blank Firing (DPBF) rifles and to ensure uninterrupted and regular instructions being imparted to NCC cadets in weapon training, field craft and drill with Arms in the institution.

#### Range Facilities

Range facilities do not exist at many places even at district level. Where ranges do not exist, weapon firing, which the cadets are quite keen to carry out, cannot be carried out except in the Annual Training Camps. Range facilities should be provided with the assistance of State Governments, Universities /Colleges as far as feasible, to enable cadets to fire rifles and light machine guns.

Introduction of Air Rifles at places where range facilities are not available is recommended to enable cadets to improve their weapon firing capabilities.

#### Appendix 'E'

#### Recommended Scale of Instructional Staff—Junior Division Troops

Issued with the Report of National Cadet Corps Evaluation Committee, 1974

Refers to para 25 (15) (c)

Junior Division - ARMY WING (Troop strength 60 cadets)  
(PI staff to be provided to Controlling SD unit)

No. of Junior Army Troops Grouped under an S.D. Unit	No. of Instructors to be provided		
	JCOs	Havs	Naik
1 to 5 Troops	-	1	-
5 to 10 Troops	-	2	-
11 to 15 Troops	1	2	-

Notes: 1. In case the affiliated Junior Division Troops are dispersed beyond 20 miles, one additional hav/eqvt should be authorised for every 5 troops.

2. Not more than 12 troops will normally be affiliated to any senior division unit.

3. Junior girls troops and junior army troops grouped

under a senior division unit will together be taken as basis for determining unit's entitlement of Instructional staff.

NCC officer (JD) - 1 per troop

#### Civilian Staff (preferably ex-servicemen)

	UDC	LDC
1 to 10 Troops	-	1
11 to 20 Troops	1	1
Every addnl. 10 Troop or less	-	1 (addnl. LDC)
Transport	Nil	-

#### Junior Division - NAVAL WING (Troop strength 60 cadets)

1CPO/PO for every 1 to 5 Junior Naval Tps grouped under an SD unit.

Ratio of the higher rank to the lower rank will be 1:3

Note: Other scale as for Junior Division Army Wing

#### Junior Division - AIR WING (Troop strength 60 cadets)

Ft Sgt Fitter 1 ..... 1 for every 10 troops or less

Sgt G.T.1 ..... 1 for every 10 troops or less

Total 2

Note : Other scale as for Junior Division Army Wing

#### Girls Division - JUNIOR WING (Troop strength 60 cadets)

Note: Same scale as for junior army troop given above.

Note: The above scale will also apply to Junior Division troops in military, public or Sainik schools.

NCC Training is compulsory in Sainik Schools. In a Sainik School company (JD), Officer commanding (Maj/Capt) will be appointed by principal of the Sainik School from their existing establishment. One JCO will, however, be authorised as at present.

#### APPENDIX 'F'

Issued with the Report of National Cadet Corps Evaluation Committee, 1974

#### Effect of Reorganisation Refers to para 25<sup>(15)</sup>

#### Senior Division (160 cadets per coy) Cadet Strength

Total No. of NCC Battalions....	810 units	3,00,800 (boys)
(Army Wing & Girls Div.)	(2349 of	75,000 (girls)
	160 cadets)	
Total No. of Naval Wing Units...	57 units	12,600
Total No. of Air Wing Units	58 units	11,600
Total	925 units	4,00,000

#### Junior Division (60 Cadets per troop)

	Troops	Cadets
Total No. of Jr. Army Tps.....	8,315	4,98,900
Total No. of Jr. Naval Tps....	818	49,100
Total No. of Jr. Girls Tps....	1,667	1,00,000
Total	11,667	7,00,000

#### Part time NCC Officers

No. of addnl. NCC Officers(SD) 4,698 - 4,678 = 20  
(2,349x2 = 4,698 NCC Officers)

Existing number = 4,678

No. of addnl. NCC Troops(JD) 11,667 - 8,042 = 3,625  
(7,00,000 / 1960 = 11,667 Tps)

Existing number = 8,042

#### Other Requirements

Additional Quarter Master Havs or Storemen

Naik required ..... 810

Note: This includes NCC Officers in the Naval and Air Wing.

# APPENDIX 'G'

Issued with the Report of National Cadet Corps Evaluation Committee, 1974.

Statement Showing Resultant Increase/Decrease in the Number of Vehicles Recommended for Authorisation to NCC

Refer to Para 25<sup>(16)</sup>  
Present authorisations

Sl. No.	Units	No. of units	Lt.	Veh.	3 ton	1 ton van	Pick up	MC	FAT
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
1.	GP HQ NCC	97	-	-	-	-	-	-	-
2.	Inf Bn (Sto10 Coys)	476	167	309	476	-	-	476	-
3.	Inf Indep Coy	39	-	-	39	-	-	-	-
4.	Arty Regt	1	-	1	1	-	-	-	4
5.	Arty Bty	24	-	-	24	-	-	-	48
6.	Girls Bn (Sto8 Coys)	39	-	39	39	-	-	39	-
7.	Girls Bn (4 Coys)	19	-	-	19	-	-	19	-
8.	Girls Bn (283 Coys)	26	-	-	26	-	-	-	-
9.	Girls Indep Coy	18	-	-	18	-	-	-	-
10.	Air Sqn Flying	46	-	46	46	46	-	-	-
Total			167	395	688	46	-	534	52

Recommended authorisations

Sl. No.	Units	No. of units	Lt. Car	Veh. Jeep	3 ton	1 ton	Pick up van	MC	FAT
(a)	(b)	(c)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
1.	GP HQ NCC	97	97	-	-	-	-	-	-
2.	Inf Bn (Sto10 Coys)	476	334	142	375	-	101	476	-
3.	Inf Indep Coy	39	-	-	-	-	39	-	-
4.	Arty Regt	1	-	1	1	4	-	-	-
5.	Arty Bty	24	-	-	24	48	-	-	-
6.	Girls Bn (Sto8 Coys)	39	29	10	39	-	-	39	-
7.	Girls Bn (4 Coys)	19	-	-	-	-	38	-	-
8.	Girls Bn (283 Coys)	26	-	-	-	-	52	-	-
9.	Girls Indep Coy	18	-	-	-	-	18	-	-
10.	Air Sqn Flying	46	-	69	46	46	-	-	-
Total			460	222	485	98	248	515	-

Sl. No.	Units	Increase / Decrease		Lt. Car	Veh. Jeep	3 ton	1 ton	Pick up van	MC	FAT	Bicycle
(a)	(b)	(c)	(r)	(s)	(t)	(u)	(v)	(w)	(x)	(y)	(z)
1.	GP HQ NCC	97	+97	-	-	-	-	-	-	-	+97
2.	Inf Bn (Sto10 Coys)	476	+167	-167	-101	-	+101	-	-	-	-
3.	Inf Indep Coy	39	-	-	-39	-	+39	-	-	-	+39
4.	Arty Regt	1	-	-	-	+48	-	-	-48	-	-
5.	Arty Bty	24	-	-	-	+48	-	-	-48	-	-
6.	Girls Bn (Sto8 Coys)	39	+29	-29	-	-	-	-	-	-	-
7.	Girls Bn (Coys)	19	-	-	-19	-	+38	-19	-	-	+19
8.	Girls Bn (283 Coys)	26	-	-	-26	-	+52	-	-	-	-
9.	Girls Indep Coy	18	-	-	-18	-	-	-	+18	-	+18
10.	Air Sqn Flying	46	-	+23	-	-	-	-	-	-	-
Total			+293	-173	-203	+52	+248	-19	-52	+173	

# COMMITTEE FOR STANDARDIZATION OF PAY SCALES, ALLOWANCES AND PERQUISITES OF OFFICERS IN THE NATIONALISED BANKS, 1973. OR PILLAI COMMITTEE

Report with modifications, New Delhi, Department of Banking,  
Ministry of Finance, 1974, 129p.

Chairman: Prof. V. R. Pillai.

Members: Shri K. P. J. Prabhu; Shri S. M. Joshi; Shri J.  
M. Lalvani.

## APPOINTMENT

The nationalisation of the 14 major banks in the year 1969 was a landmark in the history of banking in India. The change from private to public ownership was by itself not very significant; what made this measure important was a sea change in the concept of banking in a developing country. The main objective of nationalisation was to make the banking system a potent instrument for accelerating the development process by extending banking services to the vast unbanked areas in the country and making bank credit available to the lowly sections of the population who were at the mercy of the moneylenders. This new trend necessarily involved some fundamental changes not only in the organisational structure and procedures of the banks but also in the role of the bank manager.

"Today, the branch manager can no longer operate in isolation. He has to go out, meet people and make himself acceptable as a part of the community so that the small borrowers can discuss their credit requirements with him for giving a concrete shape to their productive ideas. With this change, the branch manager now finds himself called upon to study and understand human nature in a bid to evaluate and assess the man behind every scheme or proposal. He has to learn, for the first time, the economics of operation in the new areas of bank finance, particularly in agriculture, small business, transport and self-employment ventures. Today, with increasing decentralisation of operational responsibility in each bank, the credit-decision points that were few and generally located only in its head office have increased manifold and travelled down to the branch level. From being a mere purveyor of credit at the behest of the head office, the branch agent now functions under powers vested in him and has to rely upon his own initiative and judgment". (New Trends in Banking, Govt. of India, Dept. of Banking, P. I.)

The need for attracting a sufficient number of the right type of personnel with the necessary initiative, enterprise and aptitude for service to the officer cadres of these banks has come to the forefront with the rapid expansion of branch banking throughout the length and breadth of the country. But at present each of the 14 nationalised banks follows its own recruitment and personnel policies, based on the tradi-

tions and ethos which it has inherited from the days of private ownership. There is also great diversity in the pay scales, allowances and other conditions of service applicable to the officers, which is an anachronism under a common ownership. It is all the more so because in respect of the clerical and subordinate staff of the banks (generally referred to as the award staff), a process of convergence in the pay and allowances had already been set in motion by various awards of tribunals and literal settlements between the workmen's unions and the bank managements represented by the Indian Banks' Association. This trend has been carried forward after nationalisation with the result that there is today uniformity in respect of the pay structure of the award staff in the 14 nationalised banks, but considerable diversity in the pay scales and allowances of the officer cadre. This incongruity creates an anomalous situation because the large majority of officers are promoted from clerks but their pay scales and prospects differ from bank to bank on promotion. One of the important recommendations of the Banking Commission was the introduction of centralised recruitment of officers for the 14 nationalised banks and the setting up of a National Banking Service Commission. But the Banking Commission found the prevailing diversified pay structure of officers in these banks a hindrance to centralised recruitment policies and therefore recommended as follows:

"Before the (National Banking Service) Commission can start functioning effectively, salaries and other emoluments of the staff of the National Banks at various levels will have to be standardised, and this work should be taken up in right earnest by the Government of India."

(Report of the Banking Commission, Government of India, 1972 (pp. 354-355, para 14.22.)

The Banking Commission also suggested that those in the selection grades in the banks, i.e. "posts which involve control over branches in a region or taking policy decisions or which carry at the beginning of the scale total emoluments (including perquisites) of Rs. 2,000 per month and above," should be transferable from one nationalised bank to another. It was in pursuance of the above recommendations that the Government of India set up this Committee for standardisation of scales of pay, allowances and perquisites of officers (other than award staff) in the 14 nationalised banks.

## TERMS OF REFERENCE

1. the principles that should govern the structure of pay scales of officers of nationalised banks and to suggest such

changes in the existing structure as may be necessary to bring about standardisation of scales of pay. In making its recommendations, the Committee will take into consideration the terms and conditions of the Chairman and Managing Directors of nationalised banks;

2. the allowances, amenities, facilities or benefit in kind that should be admissible to the various grades of officers in the nationalised banks;

3. the age of superannuation and the nature and quantum of terminal benefits for the other cadres;

4. the principles that should govern the question of transferability of senior staff amongst the various nationalised banks i.e. posts which involve control over branches in a region or which are entrusted with the responsibility of taking policy decisions or which carry at the beginning of the scale total emoluments including perquisites of Rs. 2000 and above per month; and

5. any other matter incidental or ancillary to the foregoing which the Committee may deem fit.

## CONTENTS

Introductory; Nationalised Banks; their organisational structure; the existing pay structure, principles governing the pay structure; standardisation of pay scales; standardisation of allowances; Amenities, facilities and benefits in kind; conditions of service; summary of recommendations.

## SUMMARY OF RECOMMENDATIONS

### The Pay Structure

1. The major requirements of a sound pay structure are inclusiveness, comprehensibility, adequacy, rationality and career planning.

2. Regarding the principles that should govern the structure of pay scales of officers of nationalised banks, our approach is as follows:

(a) The principle of capacity to pay loses much of its significance in the determination of pay scales of officers in the fourteen nationalised banks against the background of uniform pay scales for award staff established by them irrespective of their profitability or capacity to pay.

(b) We endorse the principle of equal pay for equal work as a guiding principle in the standardised pay structure.

(c) The principle of fair comparison has several limitations as a guide to wage fixation in the Indian economy in the present context.

(d) The basic principles underlying the pay structure should relate pay scales to functions and responsibilities. The practice of rewarding officers by extra allowances for holding more responsible posts should be dispensed with.

3. The standardised grade structure for the 14 nationalised banks is based on the identification of four broad levels of responsibility in the officer cadre. Each level would correspond to a grade in the pay structure and there will be one or more scales within each grade:

Grades	Scales
1. Top Executive	VII, VI
2. Senior Management	V, IV
3. Middle Management	III, II
4. Junior Management	I

4. The minimum basic pay of officers in the junior management grade should be fixed at Rs. 700 per mensem on par with comparable categories.

5. The following are the standardised pay scales within the grade structure mentioned above:

Grades	Scales
Top Executive	VII 3000-125-3500 VI 2750-125-3250
Senior Management	V 2500-100-2700 IV 2000-100-2400
Middle Management	III 1800-75-2250 II 1200-70-1550-75-2000
Junior Management	I 700-700-40-900-50-1100- EB-1200-60-1800

N.B. All scales are related to the figure of 200 with quarterly average of All India Working Class Consumer Price Index (Base 1960 = 100).

6. We consider that the period of probation for directly recruited junior officers should be two years which may be further extended by one year in the case of probationers not satisfying any or all the requirements suggested for confirmation.

Each direct recruit should be required to learn one regional language in addition to his mother tongue, during the period of probation.

Probationers should be treated as officers for all intents and purposes from the date of their entry into the junior management grade. But they will not be entitled to draw any allowance during the first year. In the second year they will be eligible to draw D.A., City Compensatory Allowance and House Rent Allowance depending on the place to which they are posted. They will be entitled to an increment on confirmation as a regular officer at the end of the second year on successful completion of probation.

7. Promoted officers from the workmen staff will be on probation for one year and they should undergo institutional training for a period of not less than six months. They will be entitled to draw their first increment in the scale at the end of the first year itself on confirmation.

8. The pay structure should provide for accelerated promotions for the meritorious by reserving about 25 per cent of the vacancies in the higher grades for it. Officers in the junior management grade will be eligible for merit promotion to scale II in the middle management grade on the fulfilment of 7 years of service and a pass in both parts of the CAIIB or 10 years of service and a pass in part I of the CAIIB or 12 years of service. Officers with 10 years of service in the middle management grade will be eligible for promotion to the senior management grade. Officers with 5 years service in the senior management grade will be eligible for election to the top executive grade.

9. Seniority promotions are recommended to the middle management grade and subsequently to the senior management grade. Seniority should be determined on an all-India basis.

10. All promotions from one scale to a higher one within a grade and all seniority promotions from one grade to a higher one will be exclusively a management function. But accelerated promotions from one grade to the higher grade should be on the advice of a promotion committee with

which a member of the National Banking Service Commission should be associated.

11. Early steps should be taken to integrate the existing specialised officers with the general banking line. All specialised officers should be placed in scale I. In course of time, the needs of specialised work should be met from the directly recruited or promoted officers with the necessary specialised background.

Chartered Accountants and Economists with several years of experience recruited at higher levels may either be integrated with general line or provided with adequate promotion opportunities on a par with general officers of the same seniority.

Law Officers may be allowed lateral entry into higher grades and provided scales of pay for promotion in their own line comparable to those in the general line.

12. The categorisation of positions of officers in a bank below the senior management level is to be done by each bank. Certain guidelines have been suggested for such categorisation including norms for classifying the branches of banks. Categorisation of posts at higher levels should be by an ad hoc committee appointed by the Government. The fitment of officers in scales will be the responsibility of the management of each bank.

13. The standardised pay structure including the set of allowances and perquisites recommended by us should be implemented as a 'package' from an appointed date. It should apply to all officers to be directly recruited or promoted after the appointment date, as also those previously recruited by the banks and undergoing probation on that date. Officers already in a position may be given an option to elect for the new scales or continue on the old scales until the turn of their present grade.

14. In the matter of fitting officers in the new scales, the basic principle should be that their existing emoluments in respect of basic pay and D.A. should be protected. We have suggested separate formula for the fitment of existing officers and formulae for the fitment of existing officers and future promotions.

#### **Dearness Allowance**

15. We have adopted the principle of 75% neutralisation of the increase in the cost of living up to a salary level of Rs. 900 per mensem. Officers up to this level will be eligible to get quarterly adjustments in the D.A. for every rise or fall of 8 points above 200 in the quarterly average of the All India Working Class Consumer Price Index (1960=100). The rate of adjustment will be 3% of the basic pay for every change of 8 points in the quarterly average of the index. The quantum of D.A. adjustment for every 8 points in the salary ranges above Rs. 900 per mensem will be limited to Rs. 27 per mensem. For officers in the salary range of Rs. 901 to Rs. 1600 per mensem, the first adjustment will be for a block of 16 points and the second will be for the next block of 8 points. Officers in the salary ranges Rs. 1601 and above will get their first adjustment of D.A. for a block of 24 points. This cycle of adjustments for blocks of 8, 16 and 24 points will be repeated for every change of 24 points in the average Index. However, there will be a ceiling, viz, that salary plus D.A. should not exceed Rs. 2400 per mensem. The formula will be subject to suitable marginal adjustments.

16. House rent allowance may be paid to all officers not provided with accommodation. The officer should bear monthly rental charges upto 10% of his basic pay. House rent allowance will be payable to officers to compensate them for the excess of the actual rent paid over and above this 10% at the rates mentioned below on the strength of rent receipts.

1. Major 'A' Class cities (Bombay, Delhi, Calcutta, Madras and Hyderabad) Up to 25% of basic pay subject to a maximum of Rs. 400.

2. Area I Up to 20% of basic pay subject to a maximum of Rs. 300.

3. Area II Up to 15% of basic pay subject to a maximum of Rs. 250.

4. Area III Up to 10% of basic pay subject to a maximum of Rs. 250.

17. City Compensatory Allowance (CCA) for officers in the nationalised banks should be paid in Area I only, and the rate should be 10% of basic pay subject to a maximum of Rs. 100 per mensem. It is payable only so long as an officer is working in Area I.

#### **Other Area Allowances**

18. The Goa Allowance should be abolished and instead C.C.A. should be paid to officers working in the urban agglomerations of Panaji and Mormogao which may be included under Area I for this purpose.

Special Area allowances may be paid in difficult, inaccessible or expensive places at the discretion of the managements. Where, in such places more than one nationalised bank operates, uniform practices may be adopted by mutual consultation. Such allowances should not exceed Rs. 150 per mensem in Andamans, Nicobar, Laccadives, Minicoy, Mizoram, Arunachal Pradesh and Ladakh and Rs. 100 per mensem in other places.

#### **Project Area Compensatory Allowance**

Officers working in project areas may be paid allowances at the rate of Rs. 40 per mensem in Group A and Rs. 25 per mensem in Group B areas.

#### **Travelling Allowance**

19. Detailed recommendations have been made for standardised Travelling Allowance Rules relating to journeys performed on duty, on transfer and on retirement.

Leave Travel Concession facility has been recommended to be available for travel to home town in a block of two years and for travel to any place in India once in a block of 4 years.

#### **Conveyance Allowance**

20. Conveyance allowances as they obtain today may be discontinued. Instead, where officers are obliged to use their private vehicles for official purposes, they should be compensated for the expenditure at rates to be fixed by the banks.

#### **Deputation Allowance**

21. (1) When an officer is posted to work in a training in-

stitution run by the same bank or jointly with other banks, he should be deemed to be on deputation and paid a deputation allowance at the rate of 10% of his basic pay.

(2) When an officer is sent on deputation outside his parent bank, he should be entitled to draw, at his option, pay and allowances attaching to the new post or receive his grade pay and allowances plus a deputation allowance of 20% of basic pay.

22. **Officiating Allowance:** An officer officiating in a higher post for not less than 10 days should be paid an officiating allowance equal to the difference between the basic pay of the higher post and his own basic pay, together with special allowances, if any, attaching to the higher post.

23. **Allowances to Senior Management Personnel:** The existing allowances to senior management personnel should be abolished when they are fitted into the new scales.

24. **Onerous Duty/Discomfort Allowances** as well as special allowances to inspecting staff such as servants allowance, type allowance, overstay allowance, etc. may be abolished. Supplementary diem allowance for inspecting staff has been recommended.

25. **Post Allowance/Branch Allowance/Duty Allowance:** These may be abolished as soon as officers are fitted into the standardised pay structure.

26. **Personal Allowances:** The present system of personal allowances as a corollary to running scales of pay should be abolished. Personal allowance to protect existing emoluments of officers in the process of fitment into the new pay structure may be resorted to as a transitional measure. Higher qualifications when needed should be rewarded by advance increments and not by personal allowance. Professional qualifications obtained while in service may be rewarded, if need be, by lumpsum rewards only.

27. **Closing Allowance** should be paid only to officers who are directly engaged in the closing work at the rate of Rs. 150 for every half yearly closing.

28. **Split Duty Allowance** may be paid at the rate of Rs. 25 per mensem to officers performing split duty.

29. **Test Cypher Allowance** may be abolished.

30. **Vault Custodian Allowance** as such should be abolished but an officer required to work as custodian of vaults or lockers on bank holidays should be paid a diem allowance at the rate to which he is entitled.

31. **'Hill and Fuel' allowance:** An integrated 'hill and fuel' allowance may be paid for officers at the following rates:

Category	Rate
Officers staying at altitudes of and over 1500 metres	10% of basic pay subject to a maximum of Rs.100/- per mensem.
Officers staying at altitudes of and over 1000 metres but below 1500 metres	8% of basic pay subject to a maximum of Rs. 75/- per mensem.

32. **Water Scarcity Allowance** may be discontinued wherever it is being paid.

33. **Foreign branch allowances:** These may be fixed by the individual bank managements. However, if in the same foreign city two or more nationalised banks have their branches,

a uniform pattern for such allowances and perquisites may be fixed by mutual consultation by the concerned managements.

34. **Sundry Allowances** obtaining in some of the banks may be discontinued.

35. **Medical Aid:** Officers and their families should be given medical aid facilities. The family for this purpose may be defined as consisting of spouse, wholly dependent children and wholly dependent parents.

Reimbursement of medical expenses should be on the strength of the officer's own certificate of having incurred such expenditure, supported by a statement of accounts for the amounts claimed.

The following maxims are recommended for reimbursement of medical expenses of officers in different salary ranges:

Basic Pay Range per annum	Reimbursement Limit
Officer drawing Rs. 700-1200 p.m.	Not exceeding Rs. 300/-
Officers drawing Rs. 1201-2000 p.m.	Not exceeding Rs. 400/-
Officer drawing Rs. 2001 and above p.m.	Not exceeding Rs. 500/-

Accumulation beyond one year should not be allowed. However, 'on account' payment may be made at the end of the half year, limited to half the total entitlement for the year.

Hospitalisation charges should be reimbursed on the strength of bills, vouchers to the extent of 75% in the case of the officer and 50% in the case of his family members in respect of all cases which require hospitalisation. Detailed recommendations have been made about the nature of the facilities permissible and the charges reimbursable.

36. **Free House:** The practice of providing free houses to officers should be discontinued. All officers accommodated in houses provided by the bank should be required to pay 10% of the basic pay or the standard rent, whichever is less.

Whenever residential accommodation is provided by the banks, electricity, water, gas and other conservancy charges should invariably be paid by the officers concerned and not by the bank.

37. **Free furniture and furnishings:** Banks may provide furniture to officers on a moderate scale excluding luxury items such as airconditioners, refrigerators, etc. But the officers should be required to pay reasonable hire charges for the furniture provided.

The practice of providing furnishings to the officers should be discontinued.

38. **Free servants:** No free servants should be provided and no servant allowance should be given.

39. **Free car and driver:** The present system of the bank providing a free car to the senior officers is not favoured. All bank officers provided with cars should be required to pay for the use of the bank's cars for private purposes either on a mileage rate or on a monthly rate to be fixed by the banks concerned. Bank cars so provided should be available for all official purposes to the bank and can be put to private use

only when they are not required for official purposes. These cars should be maintained by the bank but in respect of drivers the bank may either appoint drivers or pay a monthly amount to the officer in charge of the car for engaging a driver.

40. Loans: The practice of granting the following loans at concessional rates of interest may be discontinued.

- (1) Loans for floods/droughts.
- (2) Loans for purchase of consumer goods.
- (3) Winter/warm clothing loans.
- (4) Loans for children's education.
- (5) Loans for children's or own marriages.
- (6) Festival loans.
- (7) Loans for registration of telephones under O.Y.T. Scheme.
- (8) Loans for booking cars or scooters.

The only loans to be granted at concessional rates should be loans for the purchase of conveyance, and housing loans.

41. Conveyance loans: The following guidelines may be adopted for the sanction of such loans to officers in the nationalised banks.

Loans for purchase of car		Loans for purchase of scooter/motorcycle	
Eligibility: Officers drawing basic pay of Rs. 1200 and above may be eligible.		All confirmed officers may be eligible.	
N.B. Loans will be admissible for car or scooter.			
Maximum amount payable	80% of the cost of the car subject to a maximum of Rs. 20,000.	90% of the cost of the vehicle subject to a maximum of Rs. 4000	of the
Number of Instalments	Should be repayable with interest in 60 months.	Should be repayable with interest in 60 months.	
Rate of Interest	1% less than the bank rate at the time of sanctioning the loan	1% less than the bank rate at the time of sanctioning the loan.	

#### Housing loans:

The following standardised guidelines may be adopted by the nationalised banks for the grant of these loans:

#### Eligibility

All confirmed officers with 5 years' continuous service in the bank may be eligible provided they are not in receipt of any house loans from any other institutional agency.

#### Maximum amount admissible

It should be calculated at the rate of 50 months' basic pay or 80% of the actual cost, whichever is less, subject to a maximum of Rs. 80,000.

#### Period of repayment

Twenty years.

#### Rate of interest

Bank rate prevalent at the time of sanction of loan subject to a minimum of 5% per annum.

43. Preferential interest rates on deposits: Bank officers may be allowed 1% additional rate of interest over the ruling rate in respect of all fixed deposits. This facility should be confined to the deposits of the officer made individually or jointly with his wife, and not extended to his relatives. The practice now obtaining in one bank of paying interest on current accounts of officers as well as deposits for 14 days or less may be discontinued.

44. Subsidised meals: It would be desirable to provide common canteen facilities to officers rather than to give them subsidised meals.

45. Incentive payments: All incentive schemes may be left to the discretion of the managements of the banks. Group incentive scheme may be preferred to the practice of offering incentives for individual effort.

46. Entertainment Expenses: This is a matter which can best be regulated by the management. However, where entertainment expenditure at the branch level is deemed necessary, it would be of the order of Rs. 50 per mensem reimbursable on the strength of the officer's certificate. But expenditure above Rs. 50 up to the sanctioned levels should be reimbursed only on the basis of vouchers.

47. Club Membership Fees: This is left to the discretion of the managements.

48. Telephones: There is need for economy in the use of telephones. Suggestions have been made for imposing restraints on the unlimited use of telephones at the expense of the bank.

49. Taxes: We do not envisage the bank paying the tax liabilities of its officers. The practice of reimbursing taxes paid may be discontinued wherever it exists.

50. Insurance: Providing group insurance cover for death or injuries occurring while on duty could be considered.

51. Transferability: The following principles regarding inter-bank transferability of officers are recommended:

(i) Transferability between banks at the senior management level as defined by us (pay scale Rs. 2000 to Rs. 3000) should be deemed to be impracticable in the present context.

(ii) However, a system of deputations of these senior officers for limited periods, at the request of banks, to meet certain felt wants should be encouraged.

(iii) Top executives (pay Rs. 3000 and above) may, for the present, be transferred from one bank to another to strengthen the staff structure in the weaker banks or to meet succession gaps, or to remove vested interests.

(iv) In course of time, the endeavour should be to throw open the top executive positions in all banks for selection on the basis of merit under the auspices of the Banking Service Commission from a common pool of senior officers for executives, as the case may be, drawn from all the banks.

(v) As a preliminary to such overall inter-changeability and in the interest also of the efficient working of the banks, steps should be taken to modernise as well as standardise the procedures and practices in these banks.



52. Security of Service: There is need for standardisation of the procedures relating to disciplinary inquiries and the drawing up of a code of conduct for the officers.

53. Working Hours: Our pay structure is based on the current practices regarding working hours which need not be disturbed.

54. Leave entitlements: Detailed recommendations have been made regarding leave entitlements relating to privilege leave, sick leave, casual leave, extraordinary without pay, maternity leave, encashment of leave, terminal leave, additional sick leave and special casual leave.

55. Age of Superannuation: The age of superannuation of officers in the banks should be 60 years, with a provision for review at the age of 58 years to adjudge the fitness of the officer for continuance in service. The above review may be initiated on the officer attaining the age of 57 years and completed well before he reaches 58 years.

56. Terminal benefits: A system of contributory provident fund and gratuity has been recommended.

#### General Recommendations

57. We are convinced that a rational approach should be adopted in the matter of wage policy.

58. We have drawn attention to the need for strengthening the manpower planning cells or departments in the banks in order to link manpower requirements and even establishment costs with studies of productivity.

59. A well organised research and development wing which not only organises research into the technical aspects of banking in relation to the bank's business and customer service, but also links this to research on the structuring of personnel policies like induction, training and orientation of staff, would be an asset to the bank.

60. A pool of the research findings could be utilised by a co-ordinating agency of public sector or banks in formulating its advice on common areas like planning and utilisation of surplus funds, personnel planning, etc.

61. There should be a well worked out career plan for the officers of banks which provide not only for vertical progression, but also for horizontal mobility through job rotation at each stage of his career.

## INDIAN COUNCIL OF SOCIAL SCIENCE RESEARCH FIRST REVIEW COMMITTEE, 1973.

Report on Social Sciences in India: Retrospective and Prospective  
New Delhi, The Indian Council of Social Science Research  
Review Committee, 1973. 2 Vols.

Chairman: Dr. Malcolm S. Adiseshiah.

Members: Dr. Kamala Chowdhry; Prof. Nitish R. De;  
Dr. S.C. Dube; Dr. D.T. Lakdewa; Dr. V.B. Singh.

Member-Secretary: Dr. M. Abel.

#### APPOINTMENT

The Constitution of the Indian Council of Social Science Research (ICSSR) provides a periodic review of the Council's work. In accordance with this provision, the First Review Committee was appointed by the Council in January 1973.

#### TERMS OF REFERENCE

(i) To review the current status of social science research and its future directions; and

(ii) In the light of its findings, to evaluate the work of the ICSSR in the last four years and to indicate the lines on which it should be developed during the Fifth Five Year Plan period.

#### CONTENTS

Preliminary; Present status of social sciences; Trends and

gaps in research; Problems and prospects of research; ICSSR in retrospect; ICSSR in future; Conclusions and Recommendations.

#### RECOMMENDATIONS

Social sciences face certain discriminations as regards governmental concessions and facilities as compared to the natural and physical sciences.

Some universities have not yet been granted the status of separate disciplines like sociology.

In the interests of promoting multi and inter-disciplinary research, the weaker social sciences should be identified and helped to grow.

There are regional imbalances in the development of the social sciences.

Economics is one of the most developed disciplines using as it does new research methods & techniques. It faces major problems of adaptation of mathematical methods and the relationship of research to policy formulation.

A considerable amount of research has been done in political science and research interests are shifting to modern methods of behaviourism & content and quantitative analyses. Its problems include macro studies in policy performance, the nature and scope of the subject and its relevance

to the Indian situation.

Development in public administration & management research are of recent origin. They are behaviour oriented & multi-disciplinary or inter-disciplinary. In depth studies of public policy, concepts & theories relating to life problems & trend studies in management are needed.

Research in anthropology, though recent, has grown fast & new areas in social anthropology research are taking shape. Methodology & disciplinary research gaps have been identified & priorities indicated by experts.

Research in sociology has promoted conceptual & methodological growth but needs to reduce its reliance on western models. The less developed research areas are highlighted.

Research in psychology has made rapid strides but much remains to be done in methodology, experimental psychology and other unresearched areas.

Geography research is undertaken in the universities and deptts of Govt. and covers an increasingly wider field. The areas needing special study are identified in paras II42 to II50.

Much of current research is irrelevant to social and national problems suffers from lack of analytical rigour, is neglectful of micro-level problems, is dependent on western theories and designs and lacks in multi-disciplinary and inter-disciplinary concepts and tools.

Factors regarding research include inadequate infrastructure and dearth of properly qualified research personnel. The links between fundamental and applied research and the claims of social relevance and the needs of discipline and the unity of teaching and research have not been fully realized. All this explains in part problems of the utilization of research.

The lack of multi- and inter- disciplinary research is related to the organisations of our universities and the lack of clarity of this concept involved.

A tentative definition of disciplinary, multi-disciplinary and inter-disciplinary research has not been offered.

The problems of utilization of research call for action by the social scientists individually and as a community, and by potential users in the Central and State Govts, public and private agencies and the other scientific groups.

Social science research calls for the revision, upgrading and updating of graduate and post-graduate education in social science.

The ICSSR has functioned effectively in securing a status for the social sciences and for social scientists and its administration is clean and above board.

The major role of ICSSR so far has been the responsive role. It should move towards more promotional activity. In particular, it must establish inter-disciplinary research priorities.

Imbalances in the distribution of ICSSR's resources in terms of regions and disciplines call for social attention.

The procedures and criteria for project approval need to be reviewed in light of the current situation and of evidence provided by social scientists.

The defective university system of education calls for co-operation and joint action with the UGC and the promotion of institutions. Lacunae in the training programme, in research methodology, the inadequate publication grants, the centralized nature of the Council's operation, the lack of

relations with other scientific agencies and the handicaps suffered by the younger social scientists call for corrective action.

To ensure the autonomy of the Council the articles and memorandum of the Association should be reviewed and amended in the light of the comments made on the Council's advisory role, the composition of the Council and the manner of the appointment models and procedures recommended concerning the posts of the chairman and secretary.

The Council should establish international relations & social work as independent disciplines, include social philosophy in its scope & use the criteria recommended for examining requests to extend its coverage both of subjects & of eligible research personnel.

The Council should concentrate its promotional activities on significant and relevant research in co-operation with other scientific councils covering the 12 inter-disciplinary fields recommended and other disciplinary problems listed. The Council should set up 12 programme committees for overseeing the inter-disciplinary research programmes and the committees for selected disciplinary priority areas.

The Council should establish a national network of inter-disciplinary ICSSR centres in universities and strengthen and incorporate into the network the non-university research institutes. The criteria for the location and selection of centres, conditions of operation, finance and machinery for the programme are set forth in para V71, pp.132-4.

The fellowship programmes should be sizeably increased, the financial entitlements improved and their geographical spread ensured.

The publication grants should be increased in value, their administration lightened up and coverage extended.

Methodology training programme should increasingly be made a part of post-M.A. courses with the help of U.G.C. The Council should increasingly concentrate on inter-disciplinary methodology.

The Council should accept as a long term objective the principle of decentralization and the establishment during the 5th plan, and/or strengthening of six regional centres which will carry out the functions listed in para V 11iv, p. 138 on behalf of the Council.

The Council should identify younger social scientists and extend concrete help for their development.

The procedure for scrutiny and approval of projects should be streamlined, speeded and improved as recommended in para V13i, pp. 142-3. University procedures for the disbursement of research funds and the appointment of research staff should allow the lines set forth in para V13 vi, p. 134.

Documentation centres and data banks should be expanded and made more effective in their functioning along the lines set forth in para V15 vi, pp. 146-8.

To ensure the adequate and effective utilization of research, the Council should take the 12 steps recommended in para V16, pp. 149-50.

The Government should place social scientists on an equal footing in the matter of income-tax, customs, travel tax, and foreign travel allowance vis-a-vis the physics and natural scientists.

The Govt. should use the Council as its adviser on all matters concerning research requests by foreign social scien-

tists and the participation of Indian social scientists in international meetings. The latter procedures as well as those for the organisation of the international meetings by Indian universities and institutions should be simplified, publicized and made workable.

The Council's secretariat should be expanded and strengthened so that it can help the Council discharge the new promotional and directive tasks proposed for it.

The Council should establish formal co-operative relations with the U.G.C., the Council of Scientific and Industrial Research, the Indian Council of Agricultural Research, the Indian Council of Medical Research, the Indian Council of Historical Research, the Research Programme Committee of

Planning Commission and National Committee on Science and Technology.

The Council should set up a National Academy of Social Sciences.

In the light of recommendations made in the report and to carry them out in a phased manner a Fifth plan budget of Rs. 11.6 crores has been proposed for the Council and for the Sixth plan, a budget of Rs. 17.6 crores. This should be the first step towards the Govt. and the country resolving to set aside for the social science research, five per cent of the one per cent of the GNP outlay proposed for science and technology research.

## COMMITTEE ON INVENTORY MANAGEMENT ON RAILWAYS, 1973.

Report (First), New Delhi Railway Board,  
Ministry of Railways, 1975. 83p. + iip.

Chairman: Shri Mohd. Shafi Qureshi.

Members: Shri K.S. Sundara Rajan; Shri H.M. Chatterjee; Shri R. Rajagopalan; Shri M.V. Kamath; Shri A. Chandmal (resigned).

Secretary : Shri R. Srinivasan.

Since then some of the official members of the Committee were transferred/retired and new members were appointed in their places. The Committee presently is made up by the following members:

Chairman: Shri Mohd. Shafi Qureshi.

Members: Shri K.S. Bhandari; Shri. P.N. Kaul; Shri T.V. Joseph; Shri R. Rajagopalan; Shri M.V. Kamath; Shri H.M. Chatterjee.

Secretary: Shri V. Raman.

### APPOINTMENT

The Government of India, in the Ministry of Railways vide Resolution No. ERB-1/72/21/118 dated 19th January 1973 set up a "Committee on Inventory Management on Railways" to review the working of the stores organizations on railways.

### TERMS OF REFERENCE

The initial terms of reference of the Committee were to review the policies and procedures on the Indian Railways for inventory control and procurement of stores, including

stores procured through D.G.S. & D. with the object of ensuring availability of materials and at the same time keeping inventories at the optimum level.

Subsequently, some more items were added to the terms of reference of the Committee and the Ministry of Railways vide their Resolution No. ERB-1/72/21/118 dated 27th September 1973, amended the terms of reference of the Committee as follows:

(a) To review the policy and procedures on the Indian Railways for inventory control and procurement of stores, including stores procured through the D.G.S. & D. with the object of ensuring materials availability and at the same time keeping inventories at the optimum level;

(b) To review the systems to check thefts and pilferages in the stores;

(c) To examine the possibility of obtaining stores through agencies other than the D.G.S. & D.;

(d) To have a thorough examination of the import of spare parts of the rolling stock;

(e) To examine the feasibility of setting up of ancillary units by small scale entrepreneurs for manufacture of spare parts in and around the production units; and

(f) To review the quality control of spare parts.

### CONTENTS

Introductory; Railways Stores Organization

Problems—Brief Review of Current Working; Procurement of Stores; Payment of Suppliers' Bill; Disposal of Surplus stores and Scrap; Summary of main Recommendations; Appendices I to XII.

## RECOMMENDATIONS

### Procurement of Stores

The re-order level system of recoupment and provisioning should be continued for all the items other than those procured through D.G.S. & D., J.P.C., Railway Board and imported sources. The annual review system should continue to be adopted for stores procured through D.G.S. & D., Railway Board, J.P.C. and imported sources.

A regular and periodical review of actual consumption, the forecast consumption, revision of limits, the quantities to be declared as surplus or excess, and the refusing of deliveries required should be done by officers stated against each of the categories of the items listed below:

(a) For 'A' category items—Monthly review personally by the Controller of Stores, irrespective of the method of recoupment viz. annual review or re-order level.

(b) For 'B' category items—Half yearly review by Dy. Controller of Stores personally.

(c) For 'C' category items—Annual review at the level of the A.C.O.S.

The recoupment sheets and the annual estimate sheets will be examined in detail at the depot level, consumption level and the provisioning required will be finalized at the depot level in consultation with the associated finance for demands exceeding Rs. 10,000. The Depot Officer will make the provisioning for 'A' and 'B' category items and A.C.O.S. and Senior Depot Supervisors for 'C' category items. Except for 'A' category items, the provisioning made for 'A' and 'B' categories by the Depot officers shall be accepted by the purchase officers for purchase action. There shall be no additional scrutiny of these items unless the purchase officers have information of new factors necessitating changes in the forecasting made at the Depot level.

For only 'A' category items, the Controller of Stores at the headquarters will examine the scrutiny and provisioning made at the depot level before initiating purchase action.

Consequent on the implementation of the foregoing recommendations the provisioning time in the headquarters office is fixed at a maximum of 39 days, and it shall be the responsibility of the Controller of Stores to ensure that this time is not exceeded.

The Committee has also considered in relation to the procurement of stores financial limits of authority delegated to the various officers in the controller of stores organization. The Committee recommends:

Having regard to the increases in prices, the advertised

tenders shall be in respect of items of Rs. 50,000 and above and the purchase of items less than Rs. 50,000 shall be made through the issue of bulletin tenders only.

In cases of safety items, where sources of supply are limited because of the special nature of these items, limited tenders shall be issued regardless of the value, to sources who have the required capacities and are capable of supplying the items to the needed specification.

The registration cell existing in the Railway should be re-organized into procurement and development cell, comprising an officer each from the Engineering, purchase and finance branches. The cell so reorganized should be asked to take up work of indigenous ancillary development as also the maintenance of lists of approved suppliers item-wise for the use of the Tender Committee and the purchase officers. It shall be the responsibility of the cell to screen the vendor's performance based on the information obtained from the computer cell.

The financial limits of authority for purchase of stores now existing for the various officers in the Controller of Stores office should be liberalised as under:

A.C.O.S Items upto Rs. 5,000 to Rs. 10,000

D.C.O.S Items upto Rs. 25,000

Dy. C.O.S. Items upto Rs. 50,000

Additional C.O.S. Items upto Rs. 5 Lakhs

C.O.S. Items upto Rs. 30 lakhs.

In the case of stationery items, the existing limit for emergency purchase should be revised to 3 months requirements or Rs. 25,000 whichever is lower and Ministry of Railways should take up the matter with Ministry of Supply.

The Committee have also considered certain other matters allied to and having a bearing on the procurement of stores, and recommend:

The standard conditions of contract should be amended suitably to permit instalment/staggered deliveries in the case of high value items and the clauses of the contract shall permit the Railways to amend the quantities in the purchase order on giving a clear 90 days notice to the supplier.

In the case of production units, corporate planning covering material procurement should be tried. The Ministry of Railways should approve the production programme on a 5 year advance basis for a full plan period, which will be subject only to minor modifications. Based on this, a material consumption and procurement programme which dovetails into the production programme should be developed. By so doing, material management would make for optimum inventory holding while making available the required items in time. A final recommendation will be made after the study now under contemplation has been completed.

Purchases from public sector undertakings should be done by the Railways themselves instead of through D.G.S. & D. The Railway Ministry should seek cabinet approval for this change.

#### Payment of Suppliers' Bills

The time taken by Southern and Northern Railways is much larger than what is justified. However, the Committee was informed that in the Western Railway bills are paid within 6 to 7 days. The Committee, therefore, suggest that the other railways should study the Western Railways system as to how they are able to do the payment within 6 to 7 days and effect necessary improvements.

For small value contracts (excluding time preference orders), say upto Rs. 10,000 the Depot Officer should be authorized to waive liquidated damages for delays upto 6 months. In the case of high value orders the existing powers of Depot Officer to accept delayed supplies (except for time preference orders) upto 21 days should also continue.

#### Disposal of Surplus Stores and Scrap

The Committee recommends the following steps to be taken:-

At the time of the periodical review for provisioning, the railways should throw up the surpluses and arrange for circulation of the lists of surplus items to the internal user departments as also to other railway systems giving them time of 60 days for indicating what they could use.

On the expiry of the aforesaid period the disposable items (not required for use) should be put up to the survey committee for taking action in line with the existing rules for disposing these items.

Instructions should be issued to the railways to follow from now on strictly the procedure given in stores code chapter XXII to anticipate/ identify the surplus/ overstock for prompt disposal in toto, avoid unnecessary building up of the surplus stocks.

The financial powers delegated to the officers for accepting the recommendations of the survey committee shall be revised as under:

(a) Depot officer to arrange disposal without putting up before the survey committee Rs. 1,000 per item.

(b) Acceptance of recommendations of survey committee by Dy. Controller of Stores Rs. 10,000 per item.

(c) Acceptance of recommendations of the survey committee by Controller of Stores Rs. 25,000 per item.

The stores officer originating items for consideration of the survey committee shall be the convenor as also member of the survey committee.

The survey committee should meet in the stores depot

regularly twice in a month on any 2 days which shall be fixed at the beginning of the year and applicable throughout the year. This would help in items being regularly and periodically considered for suitable recommendations for disposal.

Action on disposal shall be initiated within one month from the date of approval by the competent authority and completed within a period of 3 months.

In the case of imported stores, the survey committee should draw separate reports showing also how those items involving foreign exchange were procured. The survey committee should examine such items carefully before recommending disposal.

Procurement of stores for non-standard rolling stocks likely to be condemned in the next few years should be initiated only on a non-stock basis after taking into account the number and life of such stock in service. All deliveries due for components of such rolling stock should be pruned to suit the actual level of requirements for the remaining period in service of such rolling stock.

Existing accumulation of scrap in the Railways is quite heavy and instructions should ensure reduction of holding to one month's arisings only.

Remaining F.P.S. parts in loco carriage and wagon components should be expeditiously replaced with metric standards and the surpluses accruing, if any, should be disposed of expeditiously.

An item once recommended and accepted for scrapping by the General Manager in terms of para 2223-S of the stores code should not be put up again for approval for disposal. Relevant code rules in para 2408-5 should be amended suitably to avoid duplication of action.

Scrap lying with stock holders/imprest holders should be identified early and transferred to the stores depot for arranging disposal. To do so, the stock verification of the stores with the imprest holders and other stock holders should be done with care so that surplus/ unmoved stores could be identified.

Departmental inspection of the user departments should also be lightened up so that stocks are inspected at least once in six months for identifying surplus/non-moving/scrap for suitable action.

Surplus stocks lying with the permanent way department should be reported to the stores organization with a view to liquidate them early as per the existing instructions for disposal.

No item which has been disposed of as surplus, should be allowed to be purchased within a period of one year from the date of disposal. If the necessity arises in any rare cases to purchase such an item, specific approval of the Head of the Department concerned and Controller of Stores should be obtained after bringing to their notice this fact.

# COMMITTEE ON CO-OPERATIVE LAND DEVELOPMENT BANKS, 1973.

Report, Bombay, Agricultural Credit Department,  
Reserve Bank of India, 1975, 482p.

Chairman: Shri. K.Madhawa Das.

Members: Shri Udaibhansinhji, Shri. B. S. Viswanathan;  
Shri. B. Saran; Shri. V. C. Pande; Shri. M. S. Palnitkar  
(replaced by Shri. J. G. Kanga); Shri. N. Krishnamurthi;  
Shri. S.T. Khushalani.

Member Secretary: Shri. K.N.Saksena.

## APPOINTMENT

Cooperative land development banks have been playing an important role in the provision of long term credit to cultivators for investment in agriculture. Their operations received substantial encouragement after the establishment of the Agricultural Refinance Corporation(ARC) in July 1963. During the Fourth five year plan (1969-70 to 1973-4) these banks provided loans aggregating Rs. 775 crores as compared with Rs. 170 crores during the Third plan (1961-62 to 1965-66). The Fifth five year plan(1974-75 to 1978-79) provides for nearly 100 per cent increase in the loaning operations of land development banks and has envisaged an important role for the banks in each state, in meeting the long term credit needs of cultivators. The target for long term credit expected to be provided by the cooperative land development banks in the Fifth plan is Rs.1500 crores. In several states, land developments banks have either participated or are participating in the financing of cultivators under the agricultural credit projects sanctioned by the International Development Association, an affiliate of the World Bank. In other states also they will be required to play a similar role in financing the projects which are under negotiation. It is against this background that it was considered necessary that a thorough examination of the various aspects relating to the working of land development banks might be undertaken in order to identify the specific problems or areas where there was need for improvement and the measures required to be taken for the purpose. The Governor, Reserve Bank of India, therefore, constituted a Committee on Cooperative Land Development Banks in March 1973.

## TERMS OF REFERENCE

1. To examine the relative advantages and disadvantages of the unitary and the federal structures of cooperative land development banks and recommend with reference to conditions obtaining in each state/union territory the structure which is more suitable from the point of efficient administration, effective supervision over the end use of credit and prompt recovery of the dues.

2. To examine the position of the cooperative land

development banks in Assam, West Bengal, Bihar, Orissa, Rajasthan, Jammu & Kashmir and such other less advanced states and suggest steps for strengthening them including financial and other assistance from the government and the Reserve Bank.

3. To examine whether with particular reference to smaller states it will be advantageous to make the state co-operative banks undertake also the responsibility to provide long-term credit through a separate department and, if so, the conditions under which this arrangement could be brought about.

4. To suggest standards of viability for primary land development banks/branches of the state land development banks having regard to the minimum staff necessary for technical guidance, adequate supervision and efficient administration, the necessity for maintaining adequate reserves (including the bad and doubtful debt reserve) and payment of a reasonable dividend.

5. To examine the possibility of using primary agricultural credit societies as channels for the provision of long-term credit and in case this is considered feasible and desirable whether the societies should act as mere agents or receive funds directly from the state or primary land development banks.

6. To examine the need for a closer nexus between the long and short-term co-operative credit institutions with a view to ensuring adequate production credit support to borrowers of on-farm investment credit from the long-term institutions.

7. To examine the existing procedure for ascertaining whether loans already granted by the land development banks have been utilized for the purposes for which they were obtained and to review the progress made by these banks in implementing the production oriented system of lending as advised from time to time by the Reserve Bank and suggest measures for improving the quality of the loans advanced.

8. To study the problems of financing small farmers and recommend the ways in which the needs of such farmers may receive due priority so that they may reap the benefits of long-term investment credit.

9. To examine the position of overdues in the land development banks and analyse the causes thereof and suggest measures, administrative and legislative, for preventing their recurrence.

10. To consider the problems arising from the failure of crops and suggest measures for relief to the borrowers from the land development banks affected by such failure and for assistance to the banks themselves in meeting their commit-

ments to the sinking fund or towards interest on the debentures.

11. To examine the adequacy or otherwise of the sources of funds for the business of the land development banks and suggest measures to augment the sources, if those indicated are not considered adequate.

12. To review the scheme of rural debentures and fixed deposits and suggest the ways by which these could become an important source of funds for the land development banks and a significant method of mobilizing rural savings.

13. To suggest measures for tackling the problem of idle funds in the state and primary land development banks.

14. To review the sinking fund investment policy of the land development banks and suggest ways to maximise the return on the investment.

15. To consider any other problems which are relevant to the above terms of reference and make recommendations.

Under item (15) we considered it necessary to include a few more aspects of the working of the banks, viz. the policy regarding appointment of management personnel and arrangements for co-ordination between the land development banks and other institutions.

## CONTENTS

Introduction; Land Development Banks: A Retrospect; Structure for Land Development Banking; Arrangement for Provision of Long-term Agricultural Credit in smaller States; Land Development Banks in cooperatively less advanced states; Viability of primary banks; Routing of loans through primary credit societies and Nexus between short-term and long-term structures; Resources for Land Development Banks; Mobilization of Rural savings; Production-oriented lending system and Follow-up Measures; Overdues in Land Development Banks; Problems of Management and Coordination; Legislation; Conclusions; Summary of Conclusions and Recommendations; Statements and Annexures.

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

### Chapter 3: Structure of Land Development Banking

1. Both the federal and the unitary structures of land development banking have their own advantages and disadvantages. No change in the existing structure is called for in 9 states, viz., Andhra Pradesh, Haryana, Karnataka, Kerala, Punjab and Tamil Nadu which are following the federal system and Gujarat, Maharashtra and Uttar Pradesh which are following the unitary pattern. As regards other states, please see recommendations Nos. 7, 11 and 13.

2. The suggestions for strengthening the existing structures which are applicable to both the federal and unitary structures are: (a) setting up of regional/divisional offices of the central land development bank with technical and other staff to provide necessary support to its branches/primary banks in the matter of scheme formulation and implementation, and ensuring effective control on the staff at the field level; (b) introduction of suitable training programmes for the staff in primary banks/branches and (c) satisfactory arrangements for securing coordination between primary banks/branches on the one hand and other institutions and

departments of the state government on the other.

3. In the case of the federal structure, it is important to ensure that (a) the central land development bank has control over the secretaries and other key personnel of primary banks such as land valuation officer; (b) the staff of the primary banks do not take a partisan view of their work by colluding with the local non-officials; and (c) there are avenues for promotion for the staff.

4. The specific suggestions made in regard to the unitary structure are: (a) constitution of branch committees having representatives from various tahsils/blocks and of different categories of cultivators, especially small and marginal farmers, including those belonging to the Scheduled Castes and Tribes, in order to enlist the support of local non-officials in scheme formulation and implementation, mobilizing resources and recovery of loans; (b) provision of competent and trained staff in the branches and (c) introduction of suitable schemes for giving incentives to the staff of the branches who do well in regard to recovery of loans or mobilization of resources.

5. Apart from introducing the scheme of common cadres, the central land development banks in a federal structure should enlist the support of the non-official directors of primary banks in the formulation and implementation of schemes and also in recovery work. Such involvement has been generally lacking so far, the schemes being treated largely as departmental schemes although they are supposed to have emanated from the banks themselves.

### Chapter 4: Arrangements For Provision Of Long-term Agricultural Credit in Smaller States

6. Taking into account the agro-economic conditions in various smaller states and union territories, viz., Andaman & Nicobar Islands; Arunachal Pradesh; Delhi; Goa, Daman & Diu; Manipur; Meghalaya; Mizoram; Nagaland and Pondicherry, it will be wasteful to have a separate co-operative land development banking structure for giving long-term loans to cultivators for agriculture in these states/union territories.

7. In the case of Pondicherry where a central co-operative land development bank is already functioning it is observed that the loaning business of the bank has been showing a declining trend and, during 1972-73, it had come down to Rs. 11 lakhs. The overdues of the bank are on the increase and as on 30 June 1973 they formed 46 per cent of the demand for 1972-73. The bank's membership was less than 3000 (individuals) as on 30 June 1973. In view of all these factors, there is no need for a separate land development banking structure in Pondicherry and necessary steps may be taken by the state government to merge the central land development bank with the state co-operative bank in order to have a unified co-operative credit structure which will be in a position to function more effectively.

8. The state co-operative banks in Delhi; Goa, Daman & Diu and Nagaland where they are already providing long-term loans should be encouraged to undertake financing of the long-term credit needs of cultivators based on viable schemes of agricultural development. The concerned state governments should provide them with the necessary support—financial and administrative in this direction. The Delhi State Co-operative Bank is having certain serious

weaknesses such as vulnerable financial position and heavy overdues. The government should take suitable steps to improve the financial position and working of the bank and follow the detailed advice given by the Reserve Bank of India in the matter.

9. In Andaman & Nicobar Islands, Meghalaya and Manipur, the state co-operative banks which do not at present provide any long-term agricultural loans may be encouraged by the governments concerned to undertake financing of the long-term credit needs of cultivators, based on specific schemes for productive lending. As the provision of long-term loans by these banks gathers momentum, they should have separate land development banking section. Since the working of the Manipur State Co-operative Bank in particular is not satisfactory due to heavy overdues and erosion in the value of assets, the state government has to take necessary steps to strengthen its financial position and improve its operational efficiency on the lines indicated by the Reserve Bank of India.

10. In Arunachal Pradesh and Mizoram the governments may consider the desirability of establishing state co-operative banks. In due course, when agricultural development gains momentum, suitable steps may be taken to enable these banks to undertake provision of long-term loans for agriculture.

11. In the case of the smaller states and union territories, viz., Delhi; Goa, Daman & Diu; Nagaland; Andaman & Nicobar Islands; Meghalaya; Manipur; Arunachal Pradesh and Mizoram where either the existing state co-operative banks are to be entrusted with the provision of long-term credit for agriculture or new state co-operative banks, when set up, should undertake the provision of long-term credit also, it will have to be ensured that there is necessary legal framework as well as other prerequisites as indicated below for facilitating the working of these arrangements on satisfactory lines:

(1) Legal Framework

(2) co-operative Societies Act.

The co-operative societies act should provide for: (i) issue of long-term loans by the state co-operative bank for agricultural development (ii) the period of such loans; (iii) issue of debentures by the bank on government guarantee for repayment of the principal and payment of interest thereon; (iv) appointment of the Registrar of co-operative societies as the trustee for debentures to be issued and his powers; (v) simplified procedure for public enquiry for verification of the title to the land; (vi) assistance to be given by the revenue authorities for issue of non-encumbrance certificates etc.; (vii) specific powers to the bank for proceeding against defaulting cultivators for recovery of loans; (viii) right of the bank for acquiring ownership of land in satisfaction of its dues; (ix) sale of land by the bank; (x) procedure for mortgage of land for the bank's loans and non-applicability of certain provisions of the Transfer of Property Act, 1882 such as the disposal of property by the bank without intervention of the courts and acquisition of the land by the bank in satisfaction of its dues; (xi) precedence of recovery of bank's dues over all other loans (except the dues to the governments) and (xii) power of the bank for recovery of its dues from the crop in the case of tenant cultivators and of cropsharers before all other claims.

#### (i) By-laws

The by-laws of the state co-operative bank should have specific provisions for: (i) giving long-term loans for periods up to 25 years for investment in agriculture or allied activities; (ii) security to be obtained for these loans; (iii) raising of resources by floating debentures or by way of loans; (iv) creation of sinking fund for amortization of debentures; (v) powers to the Board or committees for sanction of long-term loans and (vi) having a trust deed stipulating conditions for issue of debentures.

#### (ii) Exemption from the Requirements of the Banking Regulation Act and the Reserve Bank of India Act

In the case of a scheduled state cooperative bank, section 24 of the Banking Regulation Act, 1949 (as applicable to cooperative societies) and section 42(1) of the Reserve Bank of India Act, 1934 provide for maintenance of liquid assets and cash reserves according to specified norms in respect of its outside liabilities.

Similarly, in the case of a non-scheduled state cooperative bank, sections 24 and 18 of the Banking Regulation Act are applicable in this regard requiring maintenance of liquid assets and cash reserves in respect of all outside liabilities which will include debenture liability also. In the case of the Delhi State Cooperative Bank, the Government of India, on the recommendation of the Reserve Bank, have exempted the bank in terms of Notification No. F8/3/74AC dated 27 April 1974 from the requirement regarding maintenance of liquid cover and cash reserve on account of debenture liability for a period of 5 years from the date of publication of the notification in the official gazette, as the bank is already maintaining a sinking fund for the amortization of debentures. The banks in other states which take up long-term finance should, therefore, seek exemption from the statutory requirements referred to above in respect of debenture liability if they maintain sinking fund for the redemption of debentures. They have to approach the Registrar of cooperative societies in this matter so that the Registrar in turn can move the Reserve Bank for initiating suitable action to get such exemption from the Government of India.

#### (iii) Interim Accommodation

There should be arrangements either with the state government or with the State Bank of India or other banks to provide interim accommodation to the state cooperative bank for enabling it to issue loans for collecting mortgages against which it can float debentures.

#### (iv) Policy and procedure for sanction of loans

The Board of the state cooperative bank should frame for the use of the land development banking section detailed policies and procedures for sanction of loans taking into account the instructions on the subject issued by the Reserve Bank of India, the Agricultural Refinance Corporation and the Cooperative Department. Care will have to be exercised while preparing the various forms and accounting procedures to ensure that these provide for proper methods for appraisal of loan proposals. At the same time, the procedures should



be simple enough to ensure that the entire process from receipt to sanction of loan applications is quick.

#### (v) Close Link between Bank and State Government

There should be close link between the state co-operative bank and the various government departments dealing with agriculture and horticulture, animal husbandry, fisheries, cooperation and finance and bodies such as the state electricity board and the state ground water directorate/board. In order to ensure coordination, a senior officer of the government should act as the convener of the state level committee to be constituted for ensuring flow of institutional finance for agricultural development in the state/union territory.

#### (vi) Personnel

The land development banking section of the state co-operative bank should have adequate organizational arrangements for various items of work such as preparation of schemes, canvassing of loan applications, economic and technical appraisal of loan proposals, supervision over utilization of loans, recovery of loans and maintenance of accounts. One of the senior officers of the bank having general training in land development banking and especially in project formulation and appraisal methods should be in charge of the land development banking section. He will work under the overall control of the managing director or general manager/secretary of the bank.

#### (vii) State Aid

Apart from the assistance to be provided by the state government on the lines referred to earlier, its aid will also be necessary in respect of the following:

(a) Long-term loan of Rs. 5.00 lakhs to Rs. 10.00 lakhs to the state co-operative bank to enable it to commence long-term lending.

(b) Continuing guarantee for the debentures to be floated by the bank for raising resources.

(c) Guarantee for interim accommodation required by the bank and other guarantors, if any, required to facilitate grant of loans to small farmers.

(d) Subsidy towards cost of the additional staff maintained by the bank for undertaking provision of long-term finance to cultivators till it develops adequate business to earn enough for maintenance of the additional staff.

(e) Assistance from the revenue authorities to the bank's staff in obtaining non-encumbrance certificate, verification of the title to lands and for registration of mortgage of lands and also in effecting recoveries by coercive means.

#### Chapter 5: Land Development Banks In Cooperatively Advanced States

There is large scope for agricultural development in Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Orissa, Rajasthan, Tripura and West Bengal for which long-term institutional finance is required. But the working of the land development banks in all these 9 states except Bihar and Madhya Pradesh, relatively speaking, is very

poor both in regard to their financial position and operational efficiency. Thus, there is yawning gap between the performance of land development banks in these states and what is expected of them. Creation of a new type of credit structure will not result in any appreciable improvement over the present position. Commercial banks too are not in a position to get over the various constraints which are affecting the operations of land development banks in these states. Moreover, the approach of commercial banks in providing long-term credit may tend to be selective as they cannot reach thousands of small and marginal farmers without a widespread network of branches in the rural areas. Thus, commercial banks will not be able to replace the land development banks for a long time to come. The land development banking structure in these 9 states will have, therefore, to be made strong to enable it to undertake the onerous responsibilities cast upon it under the Fifth plan.

13. Out of the 9 cooperatively less developed states, viz., Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Orissa, Rajasthan, Tripura and West Bengal, 4 states, viz., Assam, Himachal Pradesh, Jammu & Kashmir and Tripura are relatively small. Further, the working of the land development banks in these states is far from satisfactory inasmuch as their financial position has been crippled considerably by heavy overdues. In the case of West Bengal also, the position of the land development banks is, by and large, not satisfactory and they have ceased to give any effective support to the programmes of agricultural development in the state. The loans outstanding of the land development banks in these states is very small at a little over Rs. 5 crores or below. After considering all these aspects, it is found that there are distinct advantages in an integration of the short-term and long-term cooperative credit structures being brought about in 5 states out of the 9 states, viz., Assam, Himachal Pradesh, Jammu & Kashmir, Tripura and West Bengal. Without such a merger, the two separate structures in these 5 states do not hold any prospect of becoming strong and effective. The state governments in these 5 states should set up committees consisting of representatives of banks, government, the Reserve Bank of India and the Government of India to work out the details of the merger. The initiative in the matter should be taken by the Reserve Bank of India in view of its crucial role in rural credit.

Irrespective of the question of merger, i.e., whether there is an integrated structure for both short-term and long-term credit or two separate structures, the internal weaknesses of the land development banking structure in all the 9 cooperatively less developed states will have to be removed. Otherwise, even if integration takes place it will be integration of a weak structure with possibly and equally weak short term cooperative credit structure. This is most undesirable and will in fact wreck the successful functioning of the integrated institution. It is, therefore, of utmost importance that without waiting for any further time, state governments and the banks should address themselves to the task of removing the weaknesses of the long-term cooperative credit structure in all the 9 cooperatively less developed states.

15. The major deficiencies in the working of land development banks in the 9 cooperatively less developed states are a weak capital base, heavy overdues, poor management of funds and inadequate staff for appraisal of loan proposals and supervision. Schemes for removal of these

weaknesses will have to provide for financial assistance by the government to the banks for strengthening the capital base and for maintenance of adequate staff—technical and others. Apart from financial aid, the state governments should help the banks to recover the overdue loans and also remove legal and other constraints in order to facilitate their working. The banks themselves have to take various steps to tone up their working.

16. The land development banking structure in the 9 cooperatively less developed states in respect of which the position has been examined by the Committee, has a number of weaknesses such as heavy overdues, weak capital base to absorb overdues and defective loaning policies and procedures. As a result of heavy overdues, the capacity of these banks to provide long-term loans has been severely affected. It is necessary that the overdues in the land development banks of the cooperatively less developed states should be brought down sharply within a short period of time. There is also an urgent need for improving the operational efficiency of the land development banks by equipping them with competent staff. It is against this background that the following two schemes for financial assistance to the land development banks in the weaker states have been recommended:

(a) Scheme for share capital contribution in central and primary land development banks.

(b) Scheme for giving subsidies to central land development banks for improving their management cadres.

17. Since the programme for reduction of overdues in the normal course takes time, some method has to be found to help the banks in the less developed states. The Government of India and the state governments may formulate a scheme under the Fifth plan for injection of share capital in the primary banks and the central land development banks so that their overdues are brought down on a national basis to a level of 15 per cent. Taking into account the level of overdues at the primary level in these 9 states under review and the fact that in Madhya Pradesh the state government has already provided from its resources share capital in the primary banks it may be necessary to have such a scheme only in 5 states, viz., Assam, Himachal Pradesh, Orissa, Rajasthan and West Bengal. The assistance may be provided (a) wherever a satisfactory programme is prepared for the recovery of overdue loans in each bank and (b) there are prospects of the institution becoming viable within a reasonable time by stepping up its loaning operations. The details of the scheme may be worked out by the Government of India and the state governments concerned in consultation with the Reserve Bank of India and the National Cooperative Land Development Banks Federation.

18. Each central land development bank should have a planning division and a technical division for enabling it to undertake, on a continuing basis, formulation of suitable schemes of agricultural development and for identifying new items of investment. Moreover, there is an urgent need for having a cadre of management trainees so that in course of time these officers could take up senior positions in the bank including those of chief executive officers as also in equipping the bank with a second line of experienced officers. The putting into effect of these reforms will involve sizeable expenditure which the central land development banks in these states will not be in a position to bear. It is, therefore, recommended that the Government of India may help the state

governments to formulate a suitable scheme for giving financial assistance to the central land development banks by way of subsidies for strengthening the position regarding management and other personnel as under:

(a) for implementing the scheme for management trainees in the central land development banks suggested by the Reserve Bank of India and the Agricultural Refinance Corporation and

(b) for creating a planning division and a technical division in each central land development bank.

The scheme may be extended immediately to at least 4 states, namely, Assam, Orissa, Rajasthan and West Bengal. The details of this scheme may be worked out by the Government of India and the state governments concerned in consultation with the Reserve Bank of India and the National Cooperative Land Development Banks Federation. The provision of financial assistance in the manner suggested will considerably help in the process of reorganization and strengthening of the central land development banks in the weaker states.

19. There is need for financial assistance to the central land development banks in some of the cooperatively less developed states to help them in retrieving their owned funds used for meeting deficits in contribution to the sinking fund arising out of a sharp rise in overdues over a period of years. The concerned state governments should provide financial assistance by way of share capital contribution or long-term loans to the central land development banks in Assam, West Bengal and Himachal Pradesh to the extent of the contribution made by these banks from their own resources to fill up their sinking funds. This would release their blocked funds and reduce their dependence on interim accommodation as also enable them to step up loaning operations. The exact financial commitments on this account may be worked out by the state governments in consultation with the Reserve Bank of India.

20. The state governments in the 9 cooperatively less developed states may formulate suitable schemes for providing financial assistance to the borrowers of the land development banks in case the investment proves infructuous, on the lines of the schemes introduced in Maharashtra, Karnataka and Gujarat in the case of failed wells. The scheme may be confined to investment in minor irrigation works, especially sinking of wells and tube wells.

21. In some states, especially Assam, Bihar, Himachal Pradesh, Jammu & Kashmir and Orissa, the state governments give taccavi loans to cultivators or provide long-term loans for development of horticulture and plantation crops. The terms and conditions of the loans provided under these schemes are relatively soft as compared with those attached to loans for similar purposes given by land development banks. Normally, the state governments should not provide long-term loans for agricultural development direct to cultivators. Even where it is considered necessary in exceptional cases for the government to give loans for agricultural development under taccavi, the terms and conditions for such loans should not be different from those attached to loans from land development banks for similar purpose, including matters relating to procedures for appraisal of loan proposals, period, rate of interest etc.

22. The state governments' assistance in a few other fields is necessary to the land development banks in the 9

cooperatively less developed states as under:

(1) Subsidy for staff in primary banks. This subsidy may be provided for a period of 5 years instead of for 3 years as at present.

(2) Making available the services of technical and other staff from the various departments of the state governments to help the central land development banks initially to build up planning and technical divisions.

(3) Helping the central and primary land development banks in the formulation of suitable schemes of agricultural development and also in identifying new items of investment in agriculture by cultivators.

(4) Actively associating the extension staff in the blocks with the working of banks, especially in matters such as canvassing and preparation of loan applications, ensuring provision of short-term loans to the borrowers of land development banks etc.

(5) Actively helping banks in effecting recoveries.

(6) Providing government guarantee on a continuing basis to enable central land development banks to float debentures.

(7) Providing guarantee to the State Bank of India group, commercial banks and state co-operative banks for providing interim accommodation to central land development banks.

(8) Providing guarantee for deficit in security to facilitate assistance being provided by land development banks to small and marginal farmers or members of Scheduled Castes and Tribes or cropsharers or tenant cultivators.

23. The Reserve Bank of India may provide assistance to the land development banks in the co-operatively less developed states as under:

(a) Relaxation in the condition regarding loans to state governments for share capital contribution in primary land development banks. The Reserve Bank may adopt a very liberal attitude for the purpose and sanction loans to the state governments for share capital participation in respect of primary land development banks if their overdues are even up to 50 per cent of the demand under certain conditions, i.e., (i) where a scheme for reorganization or rehabilitation is prepared to the satisfaction of the Reserve Bank of India and (ii) the primary banks have reasonable prospects of becoming viable units in the opinion of the Reserve Bank of India.

(b) The central land development banks in the eastern region states, namely, Assam, Bihar, Orissa, Tripura, West Bengal and also the central land development banks in Rajasthan, Himachal Pradesh and Jammu & Kashmir may be exempted by the Reserve Bank of India from the requirement regarding floatation of rural debentures/ collection of fixed deposits even at the reduced rate of 2.5 per cent of the ordinary debenture programmes of the banks.

(c) There is no justification for relaxing the discipline introduced by the Reserve Bank in regard to the regulation of advances to primary banks/branches having heavy overdues. The land development banks would do well to undertake vigorous campaigns for recovery of overdue loans or to re-schedule the repayment of loans where the default is due to natural calamities as part of a scheme as advised by the Reserve Bank.

(d) As regards permission to issue loans for repayment of old debts in excess of the ceiling of 10 per cent of the total loans, the Reserve Bank has already agreed that such loans

can be given in certain cases, such as in backward areas and under special schemes of agricultural development, provided these loans are tied down to on-farm investment undertaken by cultivators. Similarly, the Reserve Bank has agreed that central land development banks can suggest to the Bank new items of investment in agriculture on the basis of technical and other studies undertaken by them along with the concerned technical departments of the state governments. It is for the central land development banks to take the necessary initiative in the matter.

24. The general suggestions made for improving the working of the land development banking structure in 9 co-operatively less developed states, namely, Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Madhya Pradesh, Orissa, Rajasthan, Tripura and West Bengal are as follows:

(a) The central land development banks should make a realistic estimate of their requirements of staff—technical and others—for various functions such as canvassing and appraisal of loan applications, supervision over utilization of loans and recovery of loans, and recruit the necessary staff early and give them suitable training in a phased manner. The need for qualified and trained staff is all the more urgent in the land development banks in the weaker states in view of the introduction of sophisticated procedures in respect of appraisal of loan proposals, valuation of security etc. It is also of utmost importance that there should be adequate staff for undertaking various follow-up measures such as verification of utilization of loans and vigorous extension work to ensure that borrowers obtain the expected benefits by adopting the proposed cropping pattern. The banks should evolve suitable procedures in matters such as verification of the loan utilization by the field staff, spot checking of such verification by senior staff, disbursement of subsequent instalments after satisfactory reports regarding utilization of the earlier instalment and the timing of recovery drives with the marketing seasons.

(b) The banks should rationalize their loan policies and procedures on the lines suggested by the Reserve Bank, the ultimate objective being to evolve procedures which will cut down delays in sanction of loans and ensure provision of adequate loans to cultivators for undertaking the proposed developments as also in the financing of all categories of cultivators especially small farmers. This will not only help the banks in increasing their coverage but also in expanding their loaning business.

(c) The banks will have to make concerted efforts to improve the position regarding recovery of overdue loans. The causes for default in each case should be analysed and in cases where the default is due to natural calamities the repayment may be re-scheduled, if necessary, as part of a scheme as advised by the Reserve Bank. In other cases, coercive steps should be initiated without delay and they should be followed up vigorously by the banks. The position regarding recoveries should be reviewed periodically by the boards of the banks and the performance of the staff in regard to recoveries in various regions should be constantly watched. Such periodical reviews will help the banks in taking suitable corrective steps promptly such as appointment of special staff before the situation gets out of control or in punishing the staff members who are slack in recovery efforts.

(d) One of the deficiencies noticed in the working of the banks relates to maintenance of idle funds which results in

loss to them. It will be very necessary for the banks to introduce procedures on the lines suggested by the Reserve Bank of India in regard to flow of funds between the central land development banks and the primary banks and vice versa.

(c) Regarding co-ordination between the central and primary land development banks and the various departments of the state governments, especially those dealing with agriculture, horticulture, animal husbandry, fisheries and irrigation and bodies such as the state ground-water directorate and the state electricity board, the state governments should activate the state level and district level co-ordination committees in which the senior officers of the banks, government departments and bodies such as state ground water board and state electricity board should be represented.

(f) Instead of depending mainly on the officers of the state cooperative department for the post of chief executive officer and managers of the branches or the primary banks, the banks should have their own chief executive officers and also other officers to develop a second line of management personnel. This should be clearly accepted by the central land development banks and appropriate action initiated in this direction without delay. The banks should take necessary action to recruit management trainees and take urgent steps to have suitable cadres for various categories of other officials, such as managers/secretaries of branches or of primary land development banks and supervisors in primary banks/branches.

(g) The banks, in consultation with the state governments, should fix their lending rates suitably in order to have adequate margins to enable them to maintain staff of the required strength and quality.

25. Apart from certain general measures required to be taken for reorganization of the land development banking structure in all the 9 co-operatively less developed states, specific recommendations relating to the banks in each of these states have been made as given in the ensuing paragraphs. Necessary action thereon should be taken both by the concerned state governments and the central land development banks.

## 1.Assam

### (a)Legislation

(1) The state government may amend the Assam Land and Revenue Rules Amendment Act,1947, So as to provide for unrestricted bidding in the sale of land under distraint and sale for recovery of co-operative dues. Pending this, the state government may stand guarantee for loans issued to cultivators in tribal belts. If, however, such measures are not preferred, the state government may contribute to a risk fund to be specifically created by the land development banks in respect of loans to tribals.

(2) The (Temporary Settled Areas) Tenancy Act, 1971 may be amended suitably so as to avoid a situation where the land development banks will be deprived of their claims over the lands offered as security by an owner cultivator indebted to the banks due to subsequent transfers of such lands to occupancy tenants free from any encumbrances.

(3) The provisions of the Assam Co-operative Land Mortgage Bank Act, 1960 may, by suitable amendments, be brought in line with the Rules framed thereunder so as to

enable the land development banks to take suitable measures for recovery of the overdues. In addition, incorporation of the provision in the Act on the lines of sections 118, 137 and 138 of the Maharashtra Co-operative Societies Act may also be considered with a view to minimizing the time involved in tracing the title and providing long-term loans for investment in agriculture and for the sale of hypotheca as arrears of land revenue, in case of default.

(4) The state government may expedite the work of land settlement. Preparation of records of rights should be completed at least within the period of the Fifth Plan. -

### (b) Loan Policy and Procedures

(5)The central land development bank may create a separate section under the charge of a senior officer to keep a continuous watch over recovery performance. He should organize well-planned recovery drives and initiate steps for taking legal action against defaulters and follow up such efforts.

### (c) Management and Personnel Aspects

(6) Frequent changes of incumbents to the post of managing director of the central land development bank should be avoided. This post may be filled up by recruiting a suitable candidate from the open market and given orientation training.

(7) The central land development bank should have a special officer for keeping proper control over the supervisor.

(8) The central land development bank should constitute a technical cell with an agricultural economist and a hydrogeologist to start with.

(9) Provision should be made for including a representative of the State Agriculture Department on the board of the Assam Central Cooperative Land Mortgage Bank.

## 2.Bihar

### (a)Legislation

(1) The Santhal Parganas Tenancy Act, 1949 may be suitably amended on the lines of the amendments made in the Chotanagpur Tenancy Act, 1908 so that lands situated in the Santhal Parganas District could be transferred by simple mortgage in favour of land development banks and commercial banks.

### (b)Structure

(2) Fourteen branches of the bank are found to be non-viable. These branches are: Deoghar, Dumka, Sahebganj, Ranchi, Gumla, Chaibasa, Jamsbedpur, Garhwa, Hazaribagh, Daudnagar, Pupri, Kharagpur, Giridih and Dhanbad. They are not able to make appreciable progress in loaning in their area of operations which are inhabited by tribals. The bank may, in future, open new branches in tribal areas only when adequate loaning business is fairly assured.

### (c) Loan Policy and Procedure

(3)The bank may grant long-term loans to the adivasis in

tribal areas in order to enable them to redeem their old debts from local moneylenders, within the overall ceiling of 10 per cent permitted. Such loans should be granted only where the genuineness of past debts is certified by competent authorities of the state government and restoration of land to indebted adivasis is effectively assured by such authorities. These loans should be as part of an integrated scheme for agricultural development in these areas.

(4) Out of 87 branches, in as many as 59 branches, overdues were over 25 percent of demand as on 30 June 1973. Concerted efforts should be made to realize the overdue loans.

(5) One of the causes for the rising trend in overdues is the successive crop failure over certain areas since 1966-67. The bank may consider providing the facility of re-scheduling of repayment of loans in the case of borrowing cultivators affected by natural calamities in such areas as part of a scheme in this behalf.

#### (d) Management and Personnel Aspects

(6) In terms of by-law No. 34 (1) of the bank's by-laws, the managing director of the bank is required to be appointed by the state government. The state government may appoint a banking expert, preferably an officer familiar with land development banking, as the managing director of the bank for a period of at least 5 years.

(7) The technical cell in the head office needs strengthening.

(8) Each branch may have a minimum complement of staff comprising a branch manager, land valuation officer, supervisor, accounts clerk, clerk-cum-typist and peon.

(9) There should be one technical supervisor in a branch which has reached a level of loans outstanding of Rs. 60 lakhs. There should be a technical supervisor for two or three smaller branches having loans outstanding of less than Rs. 60 lakhs.

#### (e) State Aid

(10) The execution of distraint warrants obtained by the branches of the land development bank should be entrusted to the collection squad constituted by the Co-operation Department.

(11) The state government may take early steps to strengthen the Ground-Water Investigation Organization (GWIO) so as to ensure that initially there are at least two divisions—one in North Bihar and another in South Bihar—under the charge of superintending engineers.

(12) In 16 branches of the bank where the state government has been providing the services of a branch manager, a land valuation officer, a clerk and a peon, the bank should be encouraged to have its own staff. The amount of expenditure saved by the state government on such staff may be given to the bank by way of managerial subsidy.

(13) The Co-operation Department may ensure that the audit of the bank (including all the branches) is completed within 6 months of the close of the co-operative year and the audit report is sent to the Reserve Bank of India well in time.

(14) Managerial subsidy for non-viable branches functioning in tribal areas may be provided to the bank for a period of 10 years or till they attain viability whichever is ear-

lier instead of the present period of 3 years.

### 3. Himachal Pradesh

#### (a) Legislation

(1) The State Government may notify the Himachal Pradesh Central Co-operative Land Mortgage Bank Ltd., and the Kangra Primary Cooperative Land Mortgage Bank Ltd., as a 'bank' by the issue of a notification as provided under section (2) (d)(ix) of the Himachal Pradesh Agricultural Credit Operations and Miscellaneous Provisions (Banks) Act, 1973, to facilitate flow of credit for agricultural production to the class or classes of agriculturists not having rights of alienation in land or any interest therein. In the alternative, like provisions may be made in the Punjab Co-operative Land Mortgage Banks Act, 1957 as extended to Himachal Pradesh.

(2) The state government may amend the Punjab Co-operative Land Mortgage Banks Act, 1957, as extended to Himachal Pradesh, in order to provide for distraint and sale of produce even when one instalment of loan is in arrears for more than 3 months.

(3) The state government may adopt suitable amendments to the Punjab Co-operative Land Mortgage Banks Act, 1957, as extended to Himachal Pradesh, to facilitate quick verification of the title to hypotheca and to remove delays in registration of mortgage deeds.

#### (b) State Aid

(4) The state government may treat the outstanding balance (Rs. 6.24 lakhs) of the loan of Rs. 12.00 lakhs granted to the bank against the security of unencumbered mortgages as a clean loan so that mortgages to an equal extent could be released to the Bank, against which it may float debentures. The state government may also consider whether it can postpone recovery of the loan for 3 years.

(5) The Agriculture Department as well as the Horticulture Department may forthwith discontinue issue of taccavi loans for development of land and raising of orchards. The budgetary allocations for the purpose should be made available to the central land mortgage bank on suitable terms and conditions to be settled in consultation with the bank. Similarly, the state government may pass on the Plan provisions for long-term taccavi loans to cultivators as long-term loans to the central land mortgage bank.

(6) The services of the government staff may also be placed at the disposal of the land mortgage bank for expediting the security of loan applications.

#### (c) Other Aspects

(7) A scheme for replantation of tea gardens in Kangra District may be formulated for obtaining refinance facilities from ARC.

(8) The state government may carry out surveys for identification of areas where land reclamation and levelling is feasible at economic rates and draw up special schemes for assistance from ARC.

#### 4. Madhya Pradesh

##### (a) Legislation

(1) Under the Agrarian Reforms Act in the state, the ownership of all surplus lands arising from its implementation vests in the state government and there is no provision for enabling a person who has been given such surplus land to mortgage the land in favour of the land development bank for obtaining long-term loans. The Act may be suitably amended for the purpose.

##### (b) Structure

(5) The programme of rehabilitation which at present covers 5 primary banks, viz., Jhabua, Mandsaur, Rajgarh, Ujjain and Vidisha on the basis of the level of their overdues may be extended to all those banks which are considered potentially viable, viz., Barwani, Bhind, Bilaspur, Dhar, Guna, Gwalior, Hoshangabad, Jabalpur, Morena, Narsinghpur, Satna, Seoni, Shajapur, Shivpuri and Tikamgarh. The progress in the implementation of the programme may be reviewed on a quarterly basis by the central land development bank.

(6) The central land development bank may consider the feasibility of providing loans for bunding for the storage of water for irrigation especially in Raipur and Durg Districts where there is a keen demand for such loans. A scheme for the purpose may be prepared in consultation with the Agriculture Department of the State government.

##### (c) Management and Personnel Aspects

(7) The practice of electing honorary secretaries in the primary banks may be discontinued by suitably amending the by-laws.

##### (d) State Aid

(8) In regard to the provision of long-term credit in tribal areas the state government may examine the possibility of channeling the credit provided under the tribal welfare schemes and other schemes through land development banks. In case a concessional rate on such loans is desired by the state government, they may provide suitable subsidies in respect of such loans representing the difference between the normal lending rate of the land development banks and the concessional lending rate.

(9) Section 8 of the Madhya Pradesh Land Development Bank Act, 1966 provides that the state government may constitute a guarantee fund for meeting losses which might arise on account of loans advanced by the bank on the security of mortgages not being fully recovered under certain circumstances. To this fund the central and primary banks are required to contribute at the rate of 2 per cent and 1 per cent of their net profits every year. The central co-operative land development bank has so far made a provision of Rs. 1.28 lakhs towards this fund, out of its net profits. The fund may be constituted early at the government level.

(10) The state government may consider the question of giving assistance to the state land development bank in respect of the special staff recruited and to be recruited for

the technical cell of the bank under the IDA project.

##### (c) Other Aspects

(11) Cases for recovery under section 14 of the Madhya Pradesh Land Development Bank Act, 1966 may be prepared and issued by primary banks to the defaulters and the crops distrained well before the harvest.

(12) Progress in recovery under section 14 of the Act *ibid.*, should be closely reviewed by the central land development bank through its divisional offices.

(13) As the co-operative extension officers at the block level will not be able to attend to recovery work under section 14 of the Act *ibid.*, in addition to their normal duties, the state government may consider the question of empowering the valuers and the supervisors of the land development banks acting as distrainers in order to facilitate prompt action for effecting recoveries.

#### 5. Orissa

##### (A) Legislation

(1) The state government may take early steps for amending section 83-B of the Orissa Co-operative Societies Act suitably so as to dispense with the requirement regarding filing of an affidavit (obtained from the court of magistrate) by an intending borrower.

(2) In order to protect the interest of the land development banks it is necessary that the loan amount obtained for development of land should be suitably apportioned and liability thereof passed on to a person to whom surplus land is allotted under the land reforms legislation, viz., the Orissa Land Reforms Act, 1973. For this purpose, the state government may incorporate suitable provisions in the aforesaid legislation.

(3) In the case of unsurveyed and unsettled lands which are mostly in tribal areas, the state government may, with a view to ensuring adequate flow of credit to the tribal population, arrange for the issue of possession certificates by tehsildars and also agree to stand guarantee to the land development banks for repayment of loan instalments by the tribal members on due dates. The Orissa Co-operative Societies Act may be amended suitably to provide for grant of loans by primary banks on the strength of such possession certificates backed by the guarantee of the state government.

##### (b) Structure

(4) Out of 55 primary banks, 16 banks are considered as non-viable and 11 of these are already covered under the scheme of amalgamation prepared by the central co-operative land development bank. The scheme may be suitably revised to cover the remaining 5 banks, viz., Gunupur, Nowrangpur, Jharsuguda, Sonapur and Udala. The central land development bank and the state government may pursue vigorous action for completing the reorganization programme as early as possible.

##### (c) Loan Policy and Procedures

(5) Early steps may be taken by the central land develop-

ment bank to introduce the system of valuation of lands and for calculation of repaying capacity on the lines suggested by the Reserve Bank.

#### (d) Management and Personnel Aspects

(6) The existing staff of the central land development bank is quite inadequate to cope with its growing activities. The administrative, technical and legal departments need strengthening.

(7) The cadre scheme of key personnel has been introduced in respect of post of secretaries and accountants in the primary banks. The scheme may also cover supervisors in the primary banks.

#### (e) State Aid

(8) Pending a detailed survey of sub-soil water resources, the state government may arrange for ad hoc clearance being given by the ground-water directorate so that primary banks may advance loans to cultivators for digging of wells on the strength of such clearance.

### 6. Rajasthan

#### (a) Legislation

(1) In terms of section 43 of the Rajasthan Tenancy Act, 1955, a ghair-khatedar can now mortgage his holding with prior permission of the district collector or any other authorised revenue officer. The powers to permit ghair-khatedars to mortgage their lands may also be delegated to tehsildars in order to avoid the necessity on the part of cultivators to travel long distances which they are forced to do now at times for the purpose.

(2) The government may suitably amend the relevant provision in the Rajasthan Colonization (General Colony) Conditions, 1955 to the effect that the restriction imposed in section 13 of the Rajasthan Colonization Act will not be applicable to the khatedar or a tenant allottee who desires to mortgage his land in favour of co-operative institutions.

#### (b) Structure

(3) The Jaisalmer District, which does not have any primary land development bank at present, may be served by a branch of the primary bank in the neighbouring district.

#### (c) Loan Policy and Procedures

(4) The central land development bank should take early steps to rationalize its loan policy and procedures on the lines suggested by The Reserve Bank, especially in regard to appraisal of loan proposals, valuation of security and assessment of repaying capacity of the borrowers. It should also lay down scales of financing for various items of investment taking into account the agro-economic conditions and needs of different tracts, with the assistance of the Agriculture Department of the state government.

(5) A thorough investigation of the causes of rising overdues in each primary bank should be made by the central land development bank in consultation with the Co-operation

Department and the bank should formulate a plan of action with a view to harnessing the efforts of the existing staff more effectively for recovery of overdue loans. Coercive steps should be initiated by the banks against defaulters without further delay.

(6) In the case of defaults due to drought or other natural calamities the banks may provide relief to the borrowers by re-scheduling the loan instalments on the lines indicated by the Reserve Bank, if necessary, based on a proper scheme.

#### (d) Management and Personnel Aspects

(7) With the orientation of lending for developmental purposes, the need for proper staffing of the central land development bank and the primary banks has acquired considerable significance and urgency. The requirements in respect of technical and other staff should be worked out by the bank on a realistic basis and early steps taken to recruit and train the requisite staff.

#### (e) State Aid

(8) Pending detailed investigations regarding groundwater resources, the state government may arrange for issue of a general clearance for a specific area by the state groundwater directorate, to enable primary banks to give loans for minor irrigation works under the ordinary lending programme.

#### (f) Other Aspects

(9) In order to avoid loss on account of interest on idle funds, steps should be taken by the central land development bank to introduce procedures on the lines suggested by the Reserve Bank for remittance of funds between the central land development bank and the primary banks and vice versa.

(10) The existing arrangements regarding co-ordination between the central land development bank and the various departments of the state government and other agencies such as the state electricity board have to be suitably improved, both in regard to ARC refinanced schemes and ordinary schemes.

### 7. Tripura

#### (a) Legislation

(1) The central land development bank may amend suitably by-law No. 40 of its by-laws so as to specify all the different purposes for which loans can be granted by it.

(2) The state government may issue clear instructions to all sub-registrars to issue non-encumbrance certificates on request by the bank. The state government may also permit concessions in the payment of research fees. Further, the bank's staff may be allowed access to the land records for conducting the research regarding title to borrowers' lands.

#### (b) Loan Policy and Procedures

(3) The bank may rationalize its loan policy and procedures on the lines suggested by the Reserve Bank.

(4) The bank should make immediate arrangements for appointing additional staff. The present manager is looking after the working of the bank on a part-time basis. The manager should be made a full-time officer of the bank.

(5) An agricultural officer and a civil engineer may initially constitute a technical cell to evaluate and draw up schemes for investment credit in agriculture.

(d) State Aid

(6) The state government may subsidize the entire cost of additional staff required by the bank for a period of 3 years beginning from 1973-4 by which time, it is hoped, the bank may attain viability.

## 8. West Bengal

(a) Legislation

(1) The state government may incorporate in the West Bengal Cooperative Societies Act, 1973 suitable provisions on the lines of section 120 of the Maharashtra Co-operative Societies Act, so as to recognize mortgages in favour of land development banks created against the security of tenants' interest in land and for protecting them in the event of transfer of land by sale.

(2) The state government may make suitable provisions in the West Bengal Land Reforms Act, 1955 (as amended upto 8 February 1971) with a view to facilitating the working of land development banks in the following important matters: (a) payment of compensation of land acquired in excess of the ceiling fixed by the state government may be made to the land development banks, instead of directly to the raiyats and (b) the lessees do not acquire any alienable rights over the lands leased by land development banks in the case of lands acquired by them in satisfaction of their claims.

(b) Structure

(3) Instead of opening 17 more primary land development banks at the sub-divisional level during the Fifth Plan, as contemplated by the state government, the pattern of organization at the primary level, for some time to come, should be extension of network of branches of the existing primary land development banks having regard to considerations of viability and proximity to borrowers to facilitate expansion of loan business and better supervision and collection of dues.

(c) Loan Policy and Procedures

(4) The central land development bank may encourage joint loans to a group of small farmers for wells and other minor irrigation works.

(d) Management and Personnel Aspects

(5) The government nominees on the board of the central land development bank should be senior officers; e.g., (a) Agricultural Production Commissioner; (b) Secretary,

Co-operation Department; (c) Registrar of Co-operative Societies; (d) Director of Agriculture etc.

(6) The by-laws of the central land development bank may be suitably amended so as to ensure that each branch committee consisting of about 5 directors elected by the members of the respective branches and 2 government nominees such as the Assistant Registrar of Co-operative Societies, Deputy Director of Agriculture and Project Officer in the case of SFDA/MFAL districts.

(7) The chief executive officer of the central land development bank should be a senior officer with banking experience and should be equipped with adequate powers of control over the staff. He may be designated as the managing director and thus made an ex-officio member of the board.

## Chapter 6: Viability of Primary Banks

26. The margin in the rate of interest, i.e., 1.50 per cent to 1.75 per cent at present retained by the primary land development banks is on the low side, and this acts as a constraint on the banks maintaining adequate and competent staff. In view of the fact that the application of modern technology to agriculture has increased yields of certain crops and agriculture prices have continued to remain high, there is a case for increasing the margins. The primary banks should be allowed to retain such margin on the rate of interest as would enable them to employ adequate and competent staff.

27. The norms for viability cannot be applied uniformly for all states. Further, the norms may undergo changes from time to time. This can happen due to the shrink age of loaning business for minor irrigation works which is at present one of the major items of financing by land development banks or lack of positive efforts by the banks to locate alternative avenue of profitable investment.

28. Subject to various limitations and assumptions each primary land development bank or a branch of the central land development bank, in order to function as a viable unit, should have minimum loan business of Rs. 35 lakhs. This norm should be followed strictly by the state governments and the central land development banks at least in regard to the organization of new branches of the central land development banks and new primary land development banks. As regards existing primary banks and branches of central land development banks which do not come up to these norms, the state governments and the central land development banks should have a plan of action for bringing these banks/branches at least upto this standard within a period of 3 years. The period of 3 years is generally adequate for a primary bank or branch of central land development bank to attain viability except in areas where the growth rate in loaning business is slow because of the poor supporting facilities in the area or the predominance of Scheduled Castes and Tribes or where the nature of agricultural financing requires a very long period of gestation.

29. While the minimum norm, i.e., each primary land development bank or branch of the central land development bank having a loaning business of at least Rs. 35 lakhs at the end of 3 years, has to be strictly adhered to, there might be some difficulty in complying with this requirement in certain circumstances, e.g., in areas where the growth rate for loaning operations may be slow, but potential is clearly in sight and there is need for development, especially in instances



where such areas are inhabited by tribal population or other weaker sections of the community. Under such circumstances, a new primary bank/branch of central land development bank, if set up, should be provided with necessary financial and other support by the state government or by the central land development bank in order to enable it to maintain adequate staff from the very beginning itself till it becomes viable, i.e., achieves the loaning business of at least Rs. 35 lakhs.

#### Chapter 7: Routing of Loans Through Primary Credit Societies and Nexus Between Short-Term and Long-Term Structures

30. Primary credit societies, as they are constituted and functioning at present, will not be in a position to provide long-term loans as agents of land development banks in an effective manner, particularly since the task has now become complex with the application of modern technological methods to farming which has generated demand for investment credit for various purposes.

31. The scheme for organization of Farmers Service Societies, if implemented, raises hopes of adequate operational efficiency and financial soundness so as to enable them to provide long-term loans. But the number of such societies set up or to be set up is limited and does not in any way affect the conclusion that primary credit societies in general as they are constituted and functioning at present will not be able to disburse long-term loans in a satisfactory manner.

32. Co-ordination between the short-term and long-term co-operative credit structures is altogether absent and the various recommendations made by the earlier committees for effecting such co-ordination have remained on paper without any concrete action being taken thereon either by the state governments or by the co-operative banks themselves. The state governments should take early steps to reorganize the working of the existing primary agricultural credit societies which are weak or dormant. Similar effort on the part of the state governments is needed in respect of weak central co-operative banks and weak primary land development banks, the term 'weak' connoting poor borrowing membership, low capital base, low level of deposit mobilization, high level of overdues, weaknesses in management and supervision and lack of attention paid to meeting the credit requirements of small farmers. In this effort, the state co-operative bank, central co-operative banks and central land development bank should not remain passive spectators, leaving the entire responsibility to the state governments. The banks should actively involve themselves in the quick implementation of schemes for the revitalization of primary agricultural credit societies, central cooperative banks and land development banks.

33. While as a part of the reorganization schemes for increasing the coverage of the rural population, efforts are being made to enrol more members, it should be the responsibility of the extension staff in the blocks to ensure that all the borrowers of long-term loans from land development banks are promptly enrolled as members of primary credit societies in the area. For this purpose, the primary land development bank or the branch of the central land development bank should furnish details of its borrowers to the primary credit society.

34. The registrars of cooperative societies should undertake, in consultation with the regional offices of the Agricultural Credit Department of the Reserve Bank and the regional offices of the Agricultural Refinance Corporation, an immediate review of the loan policies and procedures of central co-operative banks and primary credit societies with a view to removing restrictions such as those arising from the by-laws relating to maximum borrowing power or the scale of financing for different crops etc., so that the borrowers of long-term credit from land development banks are able to obtain adequate production credit.

35. Land development banks should make suitable modifications in their loan policies and procedures so as to ensure, while processing loan applications, that the prospective borrower has already an access to adequate production credit from this local primary credit society to support the proposed cropping pattern. If not, it should be ensured by the land development bank that necessary arrangements in this behalf are made before at least the last instalment of the loan is released.

36. A group under the leadership of the Assistant Registrar/Deputy Registrar of co-operative societies in the district and including the managers of the central co-operative bank and of the primary land development bank/branch of the central land development bank should be constituted to review periodically, say once in a quarter, the position regarding availability of short-term credit to the borrowers of land development banks. The group should be required to submit its note prepared on the basis of such periodical reviews to the Divisional Deputy/Joint Registrar of co-operative societies. The object of the review should be specifically to ensure that when loans are sanctioned by land development banks to borrowers who are not members of primary credit societies, such borrowers are enrolled as members of co-operative credit societies and given short-term credit, if eligible for the same. This review will have to be prepared on the position in each primary land development bank/branch of the central land development bank and the primary credit societies in their areas of operations.

37. Despite the recommendations of various important committees, the problem of co-ordination between the two co-operative credit structures still remains to be solved. Neither channeling of long-term loans through primary credit societies nor other measures such as housing of the institutions in the same building and having common directors have so far solved the problem of co-ordination. It is in this context that it is being felt in certain quarters that a long-term solution to the problem of co-ordination probably lies in the complete integration of the two structures, i.e., short-term and long-term credit institutions. It has, however, to be pointed out that the integration of the two structures means basically that the primary agricultural credit society will have to provide short-term, medium-term and long-term credit. In other words, it inevitably means the need for having a viable society at the village level which may be formed as a result of the amalgamation of the weaker or smaller societies or organization of farmers service societies. Thus, a change in the structure and functioning of existing primary agricultural credit societies is called for, involving amalgamation of weak societies, liquidation of dormant societies, recruitment of full-time paid secretaries and of supervisory and technical staff.

The formation of viable primary credit societies with adequate staff to undertake multipurpose functions is absolutely necessary for the successful working of an integrated co-operative credit structure. Further, for the integration to be effective, steps will have to be taken to complete the programmes for the rehabilitation of weak central cooperative banks and primary land development banks which have already been identified, without further delay. A merger, if it is confined only to the apex or intermediate level institutions, will be fruitless. In other words, the integration of the short-term and long-term credit institutions has to start from the village level, i.e., at the level of primary agricultural credit societies. Although the various steps taken in the past have not brought about the desired results in the direction of consideration between the short-term and long-term structures, there is increasing awareness among the institutions, viz., land development banks and state and central co-operative banks, and also the state governments about the need for such co-ordination. It is noted in this connexion that efforts such as setting up of co-ordination committees, having common directors etc., are being pursued in some states. Further, the National Co-operative Land Development Banks Federation and the All-India State Co-operative Banks Federation are now actively seized of this matter of evolving suitable arrangements for securing necessary co-ordination between the two wings of the co-operative credit structure.

Although the subject of integration of the two structures dealing with short-term credit and long-term credit is outside the purview of the terms of reference of the Committee, nevertheless, as emerging from the review of the existing position of the co-operative credit structure in the smaller states and the cooperatively weak states it is recommended that in 5 states, viz., Assam, Himachal Pradesh, Jammu & Kashmir, Tripura, and West Bengal the integration of the short-term and long-term credit structures is the only way of enabling the co-operative credit structures in these states to play an effective role in meeting the credit needs of cultivators for production and development. It has, further, been recommended that in Pondicherry also it is necessary to integrate the short-term and long-term co-operative credit structures. With regard to co-ordination between the two structures in the other states, it is suggested that earnest efforts should be made both by the state government and the institutions to implement the recommendations for improving the existing arrangements for coordination. However, in case it is found after a reasonable time that there is no improvement in the situation, as a last resort, the need for integration of the short-term and long-term co-operative credit institutions may have to be examined by the state governments, the state cooperative banks and central land development banks concerned.

38. Steps are being taken to make existing primary credit societies viable units by liquidation of moribund societies and amalgamation of small societies, and also to provide full-time secretaries to the reorganized societies. It is recommended that wherever viable primary credit societies have been set up and they have been provided with adequate full-time and trained staff, including technical staff, such societies may take up provision of long-term loans also. This will require identification of such societies by the state governments and the apex and central co-operative banks on a block-by-block basis.

39. According to present indications, there will not be any serious difficulty in land development banks obtaining the necessary support from various institutions for their ordinary debenture floatation programmes.

40. The Informal Group on Investment Policy of the Life Insurance Corporation of India (1971) has recommended that the Life Insurance Corporation of India should explore possibilities of securing participation with the Agricultural Refinance Corporation in the refinancing of area development schemes instead of confining its role to merely investing in the debentures of land development banks. It is not known as to whether any decision has been taken by the Government of India on this recommendation. If the Life Insurance Corporation's participation is to be enlisted, the manner and extent of its participation in the debentures floated from time to time and the schemes which would be eligible for such participation will have to be determined. If the participation is to be in the form of loans from the Life Insurance Corporation of India, it will have to be examined as to whether this would be possible under the Agricultural Refinance Corporation Act, 1963 as it stands at present and whether the terms and conditions, including the rate of interest, would suit the Agricultural Refinance Corporation. Perhaps the Life Insurance Corporation of India's support could be availed of by issuing a special series of bonds to be subscribed to exclusively by the Life Insurance Corporation of India. These and other aspects may be examined in detail by the Agricultural Refinance Corporation and the Life Insurance Corporation of India. The Agricultural Refinance Corporation may take up the matter with the Reserve Bank and the Government of India, in case it needs additional resources for its refinancing operations in the Fifth plan.

41. It is important to ensure that the state governments actually make provisions in their budgets to meet commitments in regard to their share of contributions to the debentures of central land development banks. In some states such as Himachal Pradesh and Jammu & Kashmir the recommendations of the Committee on Takavi Loans and Cooperative Credit (1962) have not been implemented. These states may fully accept the recommendations of the Takavi Committee and put them into effect by actually using such funds for contribution to the debentures of the central land development banks.

42. The state governments should not themselves give loans for development of horticulture and plantation crops, but the budgetary allocation for the purpose should be channeled through land development banks by means of support of their debentures.

43. Land development banks in most cases will find it impossible to achieve the large lending programmes during the Fifth plan without identifying new items of agricultural development requiring long-term loans. Each central land development bank should build up a portfolio of viable and diversified pattern of schemes for the entire Fifth plan so that it can reach the lending target set under the Fifth plan in a purposive and effective manner. The state governments should play a crucial role in this respect by providing assistance to banks through their technical departments.

44. The state governments and the central land development banks should shoulder the responsibility of preparing

specific schemes of agricultural development if the financial targets under the Fifth plan are to be meaningful. This task is all the more difficult in cooperatively less developed states where the operational efficiency of banks is particularly very low and where the draft Fifth plan envisages more than 100 per cent increase in the lending programmes of the banks. The investment credit provided by land development banks has to be linked to specific schemes of agricultural development in the state plans. This will ensure a purposeful role for land development banks in the implementation of agricultural development programmes in various states.

45. Each central land development bank may conduct a study to assess the need for enhancement of the percentage of loans to be given for debt redemption especially in Scheduled Castes/Scheduled Tribes areas or SFDA/MFAL areas and take up the matter with the Reserve Bank, if necessary.

46. Land development banks have to make earnest efforts to keep their overdues within manageable limits to enable them to fulfil their lending targets. There are no soft options in the matter.

47. The Reserve Bank may review periodically the position regarding the loans advanced by primary banks/branches of central land development banks in SFDA/MFAL areas and, if necessary, exempt the banks from the discipline regarding regulation of advances for a specific period even in states which are not at present covered by such an exemption if it will help small farmers in getting long-term loans needed for development.

48. The state governments should provide guarantees, on a continuing basis, in the beginning of the year for the debentures to be issued during the course of the year by central land development banks so that there is no delay at the time of floatation of debentures. The state governments should also provide the guarantees without conditions attached.

49. In view of the important role played by land development banks in financing the programmes for agricultural development, nothing should be done which increases the financial burden on them or results in increasing the cost of investment credit provided by them. The state government should not, therefore, levy guarantee fee or commission in respect of the guarantees provided by them for the debentures of central land development banks. Such levies are inconsistent with the policy of state support to co-operative institutions.

50. The guarantee given by some state governments against deficit in security in the case of ARC-refinanced schemes is a welcome feature in as much as it helps small cultivators in obtaining loans from land development banks. Such a guarantee against deficit in security may be continued by all the state governments in the Fifth plan and extended to ordinary loans also.

51. Central land development banks should take action to get their ordinary debentures which are trustee securities quoted on the stock exchanges so that they might become popular in which event there might be investors to these debentures from the general public also.

52. The state governments should not levy stamp duty on the transfer of debentures.

53. Central land development banks should maintain a high level of operational efficiency in order to ensure that they continue to get support from various institutions to their

debentures. For instance, they should arrange for audit of their accounts and issue of debenture scrips to various institutions promptly.

54. The criteria followed by the Reserve Bank of India and the Agricultural Refinance Corporation in clearing debenture floatations received from central land development banks are different in certain respects. It is understood that the Reserve Bank of India has already taken up the matter of bringing about uniformity in the criteria followed by the Bank and those followed by the Agricultural Refinance Corporation in regard to the stipulation of overdues at the level of primary banks/branches of central land development banks vis-a-vis their eligibility for the lending programmes. There is, however, scope for uniformity in other spheres also, especially in regard to the procedures followed by the Reserve Bank and the Agricultural Refinance Corporation, in connexion with clearing of debenture proposals. These matters may be examined by the Reserve Bank so that uniformity is introduced not only in regard to the stipulation regarding overdues at the primary level, but in other matters also such as the position of cash inflow and cash outflow, prior receipts of audit reports of the banks for the penultimate year and issue of debenture scrips in respect of the earlier floatations.

55. The difficulties experienced by central land development banks in regard to interim finance are mainly due to faulty management of funds. Land development banks should carefully plan the deployment of their own disposable resources in a most profitable manner and make determined efforts to reduce their dependence on interim accommodation from the State Bank and its subsidiaries or the state co-operative bank particularly because recourse to borrowings from interim accommodation is costly. Although three floatations of debentures in a year allowed at present should be adequate for utilizing assured support, the Reserve Bank may permit an additional floatation in a year by those central land development banks which are depending heavily on interim accommodation for their lending operations in order to enable them to operate with reduced limits sanctioned by the state bank of India and its subsidiaries and also to reduce the incidence of higher rates of interest payable on interim accommodation.

56. The condition regarding down payment is often being circumvented by cultivators with the help of the field staff either by inflating the cost of development in the case of land levelling and sinking of wells or by inflating the amount of invoices on account of the cost of machinery and equipment or by adding the cost of ancillaries, which are not required immediately or not required at all. Thus, there is a need for evolving a procedure by which the bigger cultivators are required to make a higher contribution from their own resources towards the cost of development than the small farmers. The bigger cultivators should be required to pay a higher amount towards share capital at 10 per cent of the loan instead of the usual 5 per cent of the loan amount. Primary land development banks/branches of the central land development banks should insist on the payment of this amount well before the sanction and disbursement of the loan to bigger cultivators.

57. Primary land development banks in most states have very weak owned funds although they are required to play an important role in the land development banking structure.

The Reserve Bank may agree to provide loans to state governments for participation in the share capital of primary land development banks whose overdues are less than 30 per cent of the demand as compared with 15 per cent of the demand applicable at present. In the case of primary land development banks in SFDA/MFLA notified tribal areas, those functioning in weaker states as well as those under rehabilitation or reorganization programmes, the permissible limit of overdues may be 50 per cent of demand instead of 25 per cent as at present.

58. The build-up of idle funds occurs mainly because of the lack of appreciation on the part of the executives of central land development banks and primary land development banks in regard to the proper use of resources—both their own or raised from outside. The instructions issued by Reserve Bank from time to time for the management of funds by land development banks are quite comprehensive. Land development banks should scrupulously follow these instructions regarding management of funds.

59. The issue of debentures when lending operations in the coming months will be at a lower level or when recovery starts coming in will result in building up of idle funds. By and large, the banks overlook these aspects. Each bank should, therefore, in the light of its experience, make projections in regard to the loans—ordinary loans as well as loans under special schemes refinanced by ARC—to be disbursed and the recoveries to be received in each of the quarters, together with an analysis of its cash in-flow and cash out-flow during this period. In the light of these projections it should work out the approximate dates by which debentures are to be floated. In other words, banks should introduce a method of forecasting in respect of their requirements of funds during the following year well in advance. The amounts to be collected/paid back in respect of fixed deposits should be taken into account while making an analysis regarding cash in-flow or cash out-flow. Similarly, advance collections to be received by banks should also be taken into account.

60. Banks relying heavily on interim accommodation should make use of such accommodation only to the extent necessary, that is, after ploughing back the recoveries received by them in fresh loans. Outstandings under interim finance should be brought to 'nil' or to a very low figure immediately after each debenture floatation in respect of loans under ordinary and special schemes. Land development banks should draw upon interim accommodation for the purpose of making contributions to sinking fund when they are either required to purchase debentures floated by other central land development banks as a part of mutual support programmes or when investments in government and other trustee securities are made during the course of the year. Such a procedure of drawing upon interim accommodation for the purpose of making contributions to sinking funds after having used recoveries in fresh loans would be more profitable to the banks. Banks should frequently float special development debentures under ARC-refinanced schemes so that their dependence on the interim accommodation is kept to the minimum.

61. Taking into account the various items involved in the flow of funds between the central land development banks and the primary banks, primary banks should invariably follow the procedure of first using their owned funds and later the funds provided by the central land development bank in

their loaning operations. Besides, primary banks should be prompt in remitting the amount received by them on account of recoveries from cultivators to the central land development bank.

62. Central land development banks should help the primary banks in introducing the system of making an analysis of cash in-flow and out-flow taking into account each bank's requirements of funds for issuing loans and recoveries effected. Generally, for disbursement of loans and for collection on account of recoveries, there is a seasonal pattern in the case of long-term loans also, as in the case of short-term loans. In the case of long-term credit, it should be easier to work out the seasonal pattern in these operations as practically no development on the farm is undertaken excepting perhaps purchase of agricultural machinery and equipment when sowing or harvesting seasons are in progress or there is standing crop in the field.

63. The staff of the primary banks should be given necessary training in the management of funds including interpretation of cash flow statements. The Reserve Bank's College of Agricultural Banking at Poona should examine the matter and accord a prominent place to the topic of management of funds and interpretation of cash flow statements in the courses run by the college for the personnel of primary land development banks.

64. The chief executive officers and other senior officers of the central land development banks should periodically brief the business managers or accountants of primary banks about proper management of funds so that the latter appreciate the significance of proper management of resources which would go a long way in avoiding build-up of idle funds both at the level of primary banks and the apex institutions.

65. There is need on the part of central land development banks to continue to maintain sinking funds for amortization of debentures especially in the context of their increasing commitments in regard to long-term credit requirements and also with reference to the obligations that devolve on them under the Co-operative Societies Act, by laws and trust deeds.

66. While considering any change in the existing pattern of investment of sinking funds, it is necessary to ensure that the investment not only conforms to the three important principles of liquidity, safety and profitability, but also that the funds are retained as far as possible within the co-operative sector in view of the large resources needed by this sector.

67. There is no case for relaxing the stipulation that at least 10 per cent of the sinking fund should be invested in government securities. However, central land development banks may be permitted to use the balance of 10 per cent to be invested in 'other trustee securities' to make investments in fixed deposits with state financial corporations which carry an attractive rate of interest and are guaranteed by the state governments in regard to the repayment of the principal and payment of interest. Another possible avenue for investment of the 10 per cent allowed for trustee securities is the units of the Unit Trust of India.

It is understood that consequent upon the amendment to its statute, the National Co-operative Development Corporation (NCDC) may issue bonds which would be guaranteed by the Government of India in regard to the repayment of the principal and payment of interest. These bonds when permitted

to be issued and if they are trustee securities, may be included in the list of permissible 'other trustee securities' for investment of sinking fund by the central land development banks.

68. A reduction in the limit of investment of sinking fund in the debentures of central land development banks or in the debentures floated by sister land development banks in other states from 60 per cent to 50 per cent may be allowed on a purely temporary basis. The banks should, however, keep the investments in their own debentures to the minimum as it takes away the very basis of the scheme of mutual support.

It will be useful if the National Co-operative Land Development Banks Federation can make projections regarding the amount of investible funds of each central land development bank in the debentures of sister institutions in order to ensure maximum advantage of the arrangements available under the mutual support scheme.

69. In view of the difficulties experienced by central land development banks in making appropriate investments out of recoveries received between April and June due to the absence of floatation of debentures or issue of government loans during this period, the banks may be permitted to invest in advance, their surplus funds towards sinking funds to be set off in the subsequent years. Alternatively, the surplus, after meeting the sinking fund commitment and clearing the outstanding in the interim accommodation, might be allowed to be kept as short-term deposits with the state co-operative bank/commercial banks, and financial accommodation availed of as and when required there against instead of having recourse to overdraft accommodation which carries a higher rate of interest.

70. The Reserve Bank may allow central land development banks to increase, as a transitional measure, their investments by way of fixed deposits with the state co-operative banks and commercial banks from 20 per cent to 30 per cent by corresponding reduction of the investment in debentures of sister land development banks from 60 to 50 per cent.

71. In view of the fact that central land development banks seek support from central co-operative banks in respect of their debentures and other matters such as providing cash credit facilities to primary banks and for remittance of funds between central land development banks and primary banks and vice versa, central land development banks may be permitted by the Reserve Bank to keep their deposits with central co-operative banks with A and B audit classification.

## Chapter 9: Mobilization of Rural Savings

72. The need for mobilizing rural savings cannot be over-emphasized especially in the context of the large resources needed by co-operative land development banks. Central land development banks should, therefore, make determined and earnest efforts to collect sizeable amounts by way of rural debentures instead of pleading for scrapping of the scheme.

73. Instead of the present procedure for effecting reduction in the supported programme for ordinary debentures for failure to collect the required amount of rural debentures, the Reserve Bank may introduce an alternative scheme for offering certain incentives to banks to make necessary or-

ganizational arrangements and efforts for the purpose. For instance, the Reserve Bank may allow an additional amount, by way of an incentive, towards share capital contribution in the case of central land development banks whose performance in respect of collection of rural debentures or fixed deposits is found to be satisfactory.

74. Central land development banks should introduce special schemes for rural debentures or certificates for certain specific areas where ARC-refinanced schemes have been implemented or are under implementation. Such schemes have a fair chance of success since the banks have already established or will be establishing close contacts with a large number of individual cultivators in these areas. Cultivators may be encouraged to subscribe towards rural debentures along with the instalments towards repayment of the long-term loans borrowed by them. In addition, the amounts raised through a special scheme of rural debentures, if sizeable, could be earmarked by the central land development banks for investment in agriculture by cultivators in the same area as this will give a sense of involvement to the investors in the development of the area and thus make the scheme of rural debentures popular.

75. The Reserve Bank may consider revising the permissible rate of interest on rural debentures in the light of the recent increase in interest rates. Similarly, the interest to be allowed by land development banks on fixed deposits may be revised suitably by the Reserve Bank so as to enable the banks to offer attractive rates which compare favourably with those offered by state co-operative banks, central cooperative banks and commercial banks, and are, in fact, higher than those offered by these institutions.

76. The Reserve Bank may reconsider its views in respect of the reference received from the National Co-operative Land Development Banks Federation for introducing the scheme for awarding prizes to debenture-holders. The prize to be awarded in the case of rural debentures may be in the form of useful agricultural machinery and implements in case the winner prefers these to cash prizes.

77. Central land development banks should collect fixed deposits from rural areas and only in that case should such deposits be reckoned while assessing achievements on account of the targets for rural debentures.

78. While individual incentives to the staff of the banks in the form of commission for collection of contributions towards rural debentures may not be offered, the performance of the staff in the matter of issuing rural debentures or collecting fixed deposits should be given due weightage in deciding upon their promotions either in the normal course or otherwise or in matters like giving advance increments.

79. Each central land development bank should have at least one development officer whose main function will be to organize efforts for mobilizing rural savings by floatation of rural debentures/certificates or by collecting fixed deposits. The person to be appointed as development officer should have some background and experience in the line. He should prepare special schemes for debentures/certificates for specific areas and also organize publicity required for collecting fixed deposits.

80. The state governments and banks may formulate suitable schemes providing for the sale of rural debentures through the-village officials and payment of commission to them on the lines of the scheme for small savings as sug-

gested by the Reserve Bank in its circular to the banks issued on 29 January 1964.

81. The publicity that is being undertaken at present by banks regarding sale of rural debentures and collection of fixed deposits is inadequate. The National Co-operative Land Development Banks Federation could play a useful role by making arrangements with the All-India Radio for suitable announcements in regional languages under the rural or commercial broadcasting programmes. If the Federation is required to make payment for these announcements, it may approach the Government of India for providing grants to it for the purpose.

#### Chapter 10: Production-Oriented Lending System and Follow-up Measures

82. Although in a few states valuable attempts have been made to introduce the production-oriented lending system, there are several areas where the existing procedures need improvement. Apart from the procedural aspects connected with the production-oriented system of lending certain other steps—legal and administrative—are required to be taken by the land development banks so as to ensure speedy disposal of loan applications and granting of loans.

83. The simplified loan procedure followed in Madhya Pradesh enables the land development banks to disburse loans quickly. Under this procedure, only khasara extracts are required to be produced as evidence to title. Public enquiry and land valuation are combined and the legal scrutiny of the papers is only at one level and stage. Further, under section 8 of the Madhya Pradesh Land Development Banks Act, 1966 read with rule 3 of the rules framed thereunder, provision exists for the constitution of a guarantee fund for meeting losses that might arise on account of loans advanced by land development banks on the security of mortgages on the land not being fully recovered due to the title to the land being found defective and full recovery is not possible on account of natural calamities. This simplified loan procedure and the legal provisions in Madhya Pradesh are commended for the attention and necessary action of the state governments and central land development banks in other states.

84. The system of land mortgage is out of tune with the basic features of the production-oriented system of lending expected to be followed by land development banks and extension of long-term credit to small farmers and it has proved somewhat illusory as the basis of security. The insistence upon mortgage of land for loans given by land development banks should, therefore, be given up. Instead, land development banks should be enabled to grant loans on the basis of a charge on the lands and other assets created by the borrower as elaborated in recommendations No. 85 and 86. This, however, does not preclude land development banks from accepting mortgage of land, i.e., the banks may obtain mortgage of land if the borrower is agreeable to furnish the same or prefers this arrangement.

85. The question arises whether the charge to be created in favour of the land development bank will be effective if there is a charge already created in favour of the short-term co-operative credit institution in case the borrower has already taken short-term loans. An examination of this aspect reveals that in the case of short-term credit structure, wherever a default takes place, coercive measures are

generally taken or expected to be taken for effecting recoveries from the produce or the standing crop. It is seldom that primary agricultural credit societies undertake sale of the land and other assets of the borrowers. In other words, the charge in favour of the short-term credit structure and the long-term credit structure which is created by virtue of the declaration made by the borrower serves the main purpose of ensuring that the borrower does not dispose of land and other assets belonging to him till the repayment of loan. Taking into account the fact that the loans provided by land development banks are sizeable and for longer periods it stands to reason that as between the short-term credit structure there is a strong justification for sufficient protection being provided to the latter by ensuring that the borrower does not create a further encumbrance on his land till the repayment of the long-term loan taken from the land development bank. It is, therefore, recommended that a charge may be created on the land and other assets of the borrower both in favour of the short-term and the long-term co-operative credit institutions, with a clear provision to ensure that the long-term credit institutions have a priority over the claims of the short-term credit institutions.

86. The effect of the various recommendations made above would be that land development banks would be granting loans to cultivators on their creating a charge on their lands, such charge being common to both the short-term and long-term co-operative credit institutions, the latter having priority over the former, in addition, if necessary, to the hypothecation of agricultural machinery and equipments purchased out of the loan and the borrower furnishing two sureties acceptable to the banks. Such a common charge appears to be legally feasible.

87. The state governments, especially in their finance departments, and the institutes which subscribe to the debentures should take a broader view in regard to the guarantee provided for the debentures of central land development banks and agree to the banks floating debentures solely on the guarantee of the concerned state governments.

88. The floatation of debentures solely against government guarantee and without a backing of mortgage security would necessitate certain changes in the existing legal framework applicable to land development banks, viz., Co-operative Societies Act or the Land Development Banks Act, by-laws and trust deeds. Which amendments to by-laws and trust deals can be made by the central land development banks in each state, the amendments to the Co-operative Societies Act/Cooperative Land Development Banks Act may be carried out by the state governments expeditiously. With a view to expediting the amendments to the act in the various states and also to bring about a measure of uniformity in the state acts, the government of India may consider enacting a model central Act in this behalf for adoption by the states.

89. The existing provisions in the Co-operative Societies Act/Co-operative Land Development Banks Act as well as the by-laws of banks should be amended suitably so as to enable them to include items such as dairy and poultry activities etc., among the purposes for which loans may be advanced by land development banks.

90. With regard to financing small farmers by land development banks, the objective of each bank should be to cover as large a percentage of small farmers as possible.

Studies should be undertaken immediately by each central land development bank for fixing the percentage which, of course, should be above 20 per cent as agreed to voluntarily by the central land development banks, on the basis of the proportion of small farmers in the area of each primary bank or branch of the central land development bank.

91. Small farmers should be completely exempted by the state government from the obligation to pay fees for obtaining extracts of revenue records and non-encumbrance certificates.

92. Land development banks should effectively carry out the advice of the Reserve Bank to collect share capital contribution from small farmers at the rate of 5 per cent of the loan amount in instalments, i.e., 2 per cent of the loan in the first year and the balance of 3 per cent in the next 3 years. This will reduce the burden on the small farmers regarding their contribution to the share capital of land development banks.

93. Where the period of loans to small farmers on the basis of their repaying capacity goes beyond the life of the asset to be created or acquired with the help of the loan from land development banks, the solution would lie in organizing a group of small farmers for the purpose of group loans or joint loans.

94. Land development banks giving loans to tenant cultivators for acquisition of ownership rights, viz., making lumpsum cash payment to the erstwhile landlords, is not recommended, except to the extent to which such loans can be accommodated within the existing permissible limit of 10 per cent for loans for non-productive purposes.

95. The Reserve Bank's stipulation regarding the provision of loans by central land development banks to their branches or to primary banks on the basis of the collections effected by them does not apply to banks in areas covered by SFDA/MFAL agencies in Assam, Bihar, Orissa, West Bengal, Rajasthan, Madhya Pradesh, Himachal Pradesh and Jammu & Kashmir. Central land development banks in the other states may examine whether a similar relaxation is necessary and justified in the case of primary banks/branches of central land development banks in SFDA/MFAL project areas and approach the Reserve Bank with facts and figures to support the case for relaxation, if any.

96. In view of the need for securing optimum utilization of scarce resources like groundwater and also to enable small farmers to derive maximum benefit from the investment, the state governments should examine carefully the organizational aspects relating to the execution of development work such as construction of wells and installation of lift irrigation equipment, in the case of investments to be made by small farmers in the SFDA/MFAL areas. Wherever feasible, cooperative irrigation societies may be formed comprising small farmers so that maximum benefit is obtained from the well or wells constructed in the area. In areas where the number of small farmers is inadequate to form a co-operative society, schemes can be implemented for a group of cultivators by helping them to obtain joint loans. This would call for determined extension work on the part of the local government staff and also the field staff of the primary banks/branches of central land development banks.

97. Provision of long-term loans to small farmers should be accompanied by very close and continuous supervision over the utilization of loans and necessary follow-up

measures by way of technical advice and helping them to get supplies such as seeds, fertilizers and pesticides. This would need close co-ordination between the extension and technical staff under the SFDA on the one hand and the long-term credit institutions on the other, so that the small farmers get full benefit from the investments made by them as also to ensure prompt repayment of loans. In the case of development schemes such as those relating to plantations and orchards as also land reclamation and levelling, it is particularly necessary to ensure that the needs of the small farmers are given the fullest priority in the loan operations of land development banks. Clear instructions should be issued by the state governments to the extension staff and by the central land development banks to the field staff of primary banks/branches that while implementing the schemes highest priority is given to the coverage of small farmers by contracting as many small farmers as possible instead of achieving the physical targets by covering a small number of large farmers. In the case of schemes for land reclamation and levelling also it is particularly essential for land development banks to make determined efforts to contact small farmers whose problems regarding security will have to be investigated in each case and remedial steps taken to solve them. It is only in this manner that agricultural development schemes would result in uniform development of the areas and be of benefit to small farmers.

98. The primary land development banks' officers as well as the senior officers of central land development banks should invariably conduct test checks regarding utilization of loans and sharply pull up the field staff where they are found to be slack, incompetent or indulging in irregular practices. This will go a long way towards toning up the set up for field supervision in the banks.

99. While in the case of land development banks in the cooperatively less developed states both the procedures and arrangements for follow-up measures are very unsatisfactory, in the case of cooperatively developed states also several deficiencies exist in the present arrangements especially in regard to the enforcement of the procedures laid down by the banks themselves. These have to be eliminated by the banks.

100. In connection with sanction of loans, the banks should satisfy themselves that the demand for the loans has arisen out of genuine need, that the cost of outlay for different types of investments has been properly worked out and that the offer of supply of the required equipment such as pumpsets and tractors has been received from authorized dealers. The banks should also specify the detailed terms and conditions of the loans in the sanction letter.

101. With regard to disbursements, seasonality should be strictly observed while advancing loans for construction of wells, land reclamation, plantation etc. While loans for these purposes should be given in suitable instalments according to the progress of work, those in respect of pumpsets, tractors and power-tillers should be paid direct to the suppliers of machinery against their delivery. When loans are given in instalments, utilization certificates in respect of the earlier instalments should invariably be called for and checked. Usual safeguards regarding hypothecation and insurance should be taken in respect of loans for purchase of tractors and other agricultural machinery, on the lines of the instructions issued by the Reserve Bank from time to time.



102. After the loans are disbursed, the supervisors of the banks should be in constant touch with the borrowers not only to verify that the assets created out of the loans continue to exist with them in good order but also to help the borrowers in ensuring that they derive benefit from the assets and to arrange for technical advice where necessary.

103. If, on the basis of the verification of utilization, a loan or any part of it is found to have been misutilized by the borrower or not used within the specified period, banks should take prompt action for foreclosing the loan. Disciplinary action such as this, taken promptly, will have a salutary effect on minimizing the cases of misutilization or delayed utilization of loans.

104. Central land development banks should fix a definite period within which the utilization certificate for each instalment of the loan should be submitted by the supervisors.

105. The supervisors of land development banks who are drawn from the state governments continue to be under the administrative control of the parent government department. It is desirable that such staff is replaced by the staff of the primary banks/central land development banks in phased manner. Alternatively, the departmental staff working in the banks should be brought under the full administrative control of the primary land development banks or the central land development banks concerned.

#### Chapter 11: Overdues in Land Development Banks

106. Overdues in land development banks have been steadily rising in the past few years. This should be a matter of grave concern especially since loans are expected to be given to cultivators primarily for productive purposes and after looking into the aspects relating to technical and economic feasibility. The overdues in land development banks in states such as Assam, West Bengal, Tripura, Himachal Pradesh and Rajasthan are so heavy that their capacity to provide investment credit has been seriously affected. The studies conducted on behalf of the Committee have revealed that the problem of overdues in land development banks is common to all states, whether they are cooperatively well developed or less developed. Overdues are high even in areas where the banks are undertaking intensive lending operations under ARC-refinanced schemes which envisage adoption of detailed appraisal of loan proposals and close supervision over the use of investment credit by the beneficiaries. The increase or decrease in overdues appears to have no substantial relationship to natural calamities. A significant factor that stands out from the analysis of overdues made during the studies is that while the failure of crops due to natural calamities or unfavourable geophysical conditions may account for overdues to some extent, the prevalence of high level of overdues in primary banks is basically due to defective loaning policies, ineffective field supervision and lack of concerted efforts and will on the part of the banks' board of directors and staff to recover loans which are due for payment. The studies have also shown that there was concentration of overdues in the case of bigger cultivators having holdings above 10 acres in the case of banks in all the states except to some extent in Punjab.

107. While the present legal framework is considered generally adequate, it is necessary to make certain provisions

in the Co-operative Societies Act or Land Development Banks Act in some states or to amend the existing Acts for enabling the banks to take prompt and effective measures against the defaulters as under:

(1) In the Union Territory of Delhi, where the Co-operative Societies Act does not contain a provision for distraint and sale, necessary amendments should be made for such a provision.

(2) In the case of those states where the Co-operative Societies Act/Land Development Banks Act does not contain provision for (a) recovery of overdues from the borrowers of land development banks as arrears of land revenue by issue of a certificate by the Registrar of Co-operative Societies, on the lines of Section 101 of the Andhra Pradesh Co-operative Societies Act, (b) empowering the Board of a central land development bank and Trustee to resort to distraint and sale of the crop of the mortgage property where the management of the primary land development bank is found to be slack or indifferent and (c) delegation of the powers vested in the officials of the Revenue and Co-operative Departments to officials of the land development banks for effecting distraint and sale of the produce off the mortgaged property or the property itself, necessary provision should be made.

(3) It will be advisable for state governments to provide in Co-operative Societies Act/Land Development Banks Act for the Trustee (Registrar) issuing a certificate, on his own motion, for recovery of overdue loans, as arrears of land revenue on the lines of section 71 in the Andhra Pradesh Co-operative Societies Act, 1964 or section 101 of the Maharashtra Co-operative Societies Act, 1960 which relates to the recovery of overdues in the short-term co-operative credit structure.

(4) The Co-operative Societies Act/Land Development Banks Act in all states except West Bengal requires that action should be taken for distraint of produce of crop before the expiry of a period of 12 months from the date when the loan instalment became overdue. The state governments may make necessary amendments to the Act to extend the period to three years as has been provided for in the West Bengal Co-operative Societies Act, 1973.

(5) In the case of Madhya Pradesh, section 18 (2) of the Madhya Pradesh Land Development Bank Act, 1966 requires that the primary bank should obtain permission of the central land development bank in each case for taking coercive action, and section 18 (2)(c) of the Act *ibid.*, provides for giving three months notice to the defaulters before action such as distraint and sale could be taken. Since these provisions result in considerable delay in taking legal action against defaulters, the state government should make suitable amendments to the Cooperative Land Development Banks Act so as to ensure that coercive action does not suffer from procedural delays such as those referred to above.

(6) The state governments in Punjab, Himachal Pradesh and Haryana may make suitable amendments to the Co-operative Land Development Banks Acts so that legal action can be initiated against defaulting cultivators even when one instalment of the loan is involved in default.

(7) The recommendations made by the Study Team on Overdues of Co-operative Credit Institutions (1974) especially those for dis-qualification of the board of directors of central co-operative banks if overdues in these institutions are over 60 per cent and they persist for a period of two



years, should be made applicable to the primary land development banks also. For this purpose, the Co-operative Societies Act/Land Development Banks Act or by-laws may be amended making it obligatory on the part of every director or member of the managing committee of the primary land development bank to make a statement at the beginning of each year that he has fully repaid the loan amount or instalment of loan and interest as per the demand levied by the bank on the due date.

The recommendation of the Study Team that the defaulting member of primary society, if he is in default for over a year, should be disqualified from voting in a general meeting or election of any co-operative society, should also be made applicable in the case of members of primary land development banks in the federal system of land development banking and in the case of individual members of the central land development banks in the unitary set-up. The state governments should make suitable provisions in their Co-operative Societies Acts or the Land Development Banks Acts in order to give effect to the above recommendations.

(8) In view of the difficulties experienced in the sale of land in villages, the Study Team on Overdues of Co-operative Credit Institutions (1974) has recommended that the state government may acquire the land belonging to the defaulting cultivators and dispose it of in the manner considered appropriate, wherever bidders are not forthcoming at the auction of the land. This recommendation has greater significance in the case of land development banks and may be implemented by the state governments.

(9) The existing process of summary recovery followed in most of the states is time consuming, while the execution of certificates regarding recovery of loans from the property is beset with problems such as inadequate staff for execution and absence of bidder. However, it is not so much the absence of adequate legal provisions which comes in the way of effecting recoveries from defaulters as the delay in taking action by the primary and central land development banks and the will to initiate necessary action promptly particularly against influential parties. The managements of the banks would, therefore, do well to take prompt and effective legal action against all defaulters.

108. As a corollary to the switchover to the production-oriented lending system, land development banks should introduce planning in their operations. The land development banks should obtain, through coordination with the technical departments of the state government, relevant information with a view to locating specific schemes for agricultural development suitable for different areas in the state. Through this process, the banks will be able to locate specific areas which have a relatively higher potential for investment in agriculture and those areas which call for care while granting loans, e.g., drought-prone areas or areas which are highly susceptible to floods and other natural calamities. A plan prepared on these lines for investment credit is likely to go a long way in the banks avoiding sanction of loans which may later prove infructuous or risky.

109. In order to avoid overdues, land development banks should introduce reforms in their loan policies and procedures. The reforms in loan policies and procedures include (a) adoption of scientific appraisal methods for processing of loan proposals; (b) technical appraisal of loan proposals, especially where loans are given for minor irrigation works or

land reclamation, soil conservation, bunding, horticulture/ plantation development; (c) computation of the repaying capacity and fixing of the period of loans on a realistic basis; (d) introduction of various safeguards on the lines suggested by the Reserve Bank from time to time, while giving loans for different purposes, such as disbursement of loans in instalments for minor irrigation works or land reclamation, hypothecation of agricultural machinery and equipment as also insurance of assets like pumpsets and tractors; (e) strict adherence to the system of making payment directly to the suppliers in the case of loans for agricultural equipment, machinery and tractors after ensuring the standing of the firms; (f) evolving a procedure for verification of utilization of loans by fixing, among other things, definite periods within which such certificates for each instalment for various types of loans should be received and prompt foreclosure of loans in the event of delay in receipt of such certificates; (g) fixing of dates for the demand in respect of long-term loans so as to synchronize with the harvesting seasons; and (h) recovery of loans to be effected twice a year, i.e., from kharif and rahi crops except in mono-crop areas.

110. Land development banks should introduce suitable measures to ensure continuous touch with the borrowers of the banks until the loan is fully repaid. The banks should also maintain a close watch on the economic benefit derived by the borrowers from the investment made out of the bank's loans. Such an arrangement is particularly necessary in the case of loans for development of orchards and plantations which call for a long gestation period. The system to be evolved in this connexion should be in the form of periodical reporting by the field staff, and maintaining the relevant information in the form of a credit card or a file for each borrower. Besides, it is necessary that the banks ensure supply of production credit and agricultural requirements like seeds and fertilizers to their borrowers as also assistance by way of technical guidance from the extension staff or the staff in the technical departments of the state governments in order to enable the borrowers to adopt the proposed cropping pattern and to improve their repaying capacity.

111. The various administrative measures for bringing down overdues include (a) strengthening of the staff at the primary level with a view to ensuring that the staff for functions such as appraisal, follow-up measures and recovery of loans is adequate and (b) creating suitable cadres for various categories of staff in primary banks. For this purpose, the state governments should provide necessary subsidy to the banks especially in the states where they are financially weak. It would also be useful to organize recovery drives for long-term loans during the marketing seasons in conjunction with the efforts of the short-term credit institutions and enlist the co-operation of the Co-operation and Revenue Departments of the state governments. The state governments will be helping the banks considerably if they refrain from instructions for suspension of recovery of co-operative dues as has been noticed in some states.

112. One of reasons for the defaults in certain instances is that the borrowers of primary banks are not able to repay loans because of non-availability or considerable delay in obtaining electric connexions for their wells or tubewells. To avoid such situations, close co-ordination between the state electricity boards and the central land development banks is essential. This is lacking now. Attempts to bring about such

co-ordination in the ARC- refinanced scheme areas are being made by the Rural Electrification Corporation. The position in the non-ARC scheme areas should be taken up by the Rural Electrification Corporation with the state electricity board so that in such areas also a well or tubewell does not lie unused because of lack of electric power. Such areas should be identified by the central co-operative land development banks and the state electricity boards so that the state electricity boards can prepare special schemes for these areas and submit them to the Rural Electrification Corporation which has introduced a special category of schemes to cover such purposes.

113. The recommendations made by the Study Team on Overdues of Co-operative Credit Institutions (1974) in respect of the following are endorsed for application to co-operative land development banks:

(a) The managing committee or the board of directors of primary land development banks should consider it their prime responsibility to help the banks in effecting recoveries.

(b) Wilful defaulters should be dealt with severely.

(c) The state government should not provide financial assistance under any government scheme to the defaulters of co-operative land development banks and other co-operative credit institutions.

(d) Penal interest should be charged on loan instalments for the full period.

(e) A primary land development bank having overdues exceeding 60 per cent continuously for two years may be taken to liquidation or alternative arrangement should be considered for flow of investment credit such as asking the neighbouring land development bank to extend credit in the area or opening a branch of the central land development bank for the purpose.

114. There is no real need to constitute stabilization funds in primary and central land development banks as even under the existing arrangements necessary relief can be provided to individual borrowers and banks to get over the problems arising from failure of crops. However, certain measures, if followed by banks, will help them in facing problems of overdues in areas affected by natural calamities. These are as under:

(a) The banks should take into account the specific needs and conditions of each area while formulating schemes. Thus, in drought-prone areas it will be advisable to encourage cultivators taking up schemes for dry farming. Similarly, in areas where the position regarding sub-soil water resources is not satisfactory, it will be helpful if loans for minor irrigation works are provided strictly on the basis of detailed investigations made by the state groundwater directorates.

(b) In the case of loans for land levelling in major and medium irrigation project areas and for minor irrigation works, there should not generally be a severe impact of natural calamities in case the technical aspects have been examined before giving the loans unless the drought persists for a long period.

(c) Land development banks should encourage cultivators in making advance repayments or larger payments towards loans when crop conditions are good.

115. There is absolutely no case for writing off long-term co-operative loans.

116. The International Development Association's loans under the agricultural credit projects may be provided as

straight loans to the Government of India, 50 per cent of the total loans under each project being released to the Government of India after the effective date when all the relevant terms and conditions have been complied with by the parties concerned, viz., the Government of India, the Agricultural Refinance Corporation, State Governments concerned and lending banks. The release of the balance of 50 per cent may be made after a general review by IDA of the operation of the project. The basic change in the procedure of IDA loans which will be in keeping with the actualities of the agricultural credit projects will enable the Government of India to get a part of the soft loans on the effective date and will also enable the land development banking structure to finance project schemes without the compulsion to lend but according to the natural needs of the situation and thereby avoid the existing danger of hurried lending which will aggravate the present serious problem of overdues in the long-term co-operative credit structure. The Government of India and the Agricultural Refinance Corporation may examine this recommendation on a priority basis.

## Chapter 12: Problems of Management and Co-ordination

117. A review of the position regarding the staff in land development banks indicates that in terms of functions, conditions of service, methods of recruitment, training etc., there is considerable heterogeneity in the pattern obtaining in the various states. This is partly due to historical reasons and to some extent to regional variations in different parts of the country. At present, land development banks have hardly any definite policy regarding staff, including that at the higher levels.

118. In view of the important role expected to be played by land development banks in planned economic development and the sizeable financial assistance provided by them, it is understandable that the state governments should like to have some control over the management of these institutions. However, if the banks are to work as sound institutions, it is necessary that in the management a high degree of professional skill is introduced and a cadre of personnel who are highly trained in development banking is built up.

119. An examination of the position regarding land development banks indicates that, barring a few, the majority have not been able to equip themselves with personnel for management in both quality and quantity. It is necessary that the land development banks should introduce modern management techniques in their operations a system of continuing analysis of policy and procedures and observe an increasing degree of cost consciousness.

120. As a long-term policy, land development banks should aim at having their own personnel at all levels except probably for certain technical staff. This does not, however, mean that the banks should not utilize the service of the officers in the state governments or of other institutions. Nor is it practicable for the banks to undertake an immediate change in the existing arrangements or replacement of the staff on deputation with their own staff. The objective should be to initiate a process by which the present practice of banks depending heavily on the staff of the state governments is dispensed with, though the senior officers of the concerned department can certainly be assisted with the work of banks

in an advisory or consultative capacity.

121. Depending on the size of the state as also the nature of the land development banking structure, each central land development bank should have regional offices generally with an area of operation coterminous with the revenue divisions in the state. A group of such regional offices may be put under the control of zonal offices in due course. The functions of the regional offices should be mainly to provide continuing supervisory link between the head office management personnel and the field level personnel. The regional units should be mainly in the nature of inspection and vigilance units which would also ensure coordination and provide two-way communication between the field level and the tehsil and district levels and the apex level.

122. The professional staff should be fully empowered to settle executive and administrative matters. The functions of the democratically elected members of the boards should be confined to policy making and assistance in matters such as popularizing schemes of agricultural development, sale of rural debentures and recovery of loans.

123. Each central land development bank should initiate immediate action for constituting an integrated staff structure comprising (a) Managers at the apex level (operations, administration, finance, accounts and technical); (b) Zonal/Regional Managers (Development/ Assistant Development Officers) and inspectors at the zonal/regional level; (c) Managers, loan officers, accountants, technical officers and recovery officers at district levels where the central land development bank has district branches or where there are primary banks at the district level; and (d) key personnel like managers and chief accountants of the primary banks at sub-division/tehsil/ block level. This cadre of personnel should be controlled by a central staff committee of the central land development bank which will be purely a committee of officials under the chief executive officer.

124. The National Co-operative Land Development Banks Federation may prepare a panel of chief executive officers who have the necessary background and experience in order to enable the member-banks to fill the posts of chief executive officer. This panel may consist of (a) persons who have already gained experience and (b) persons who may not have direct experience in all the fields of activities but who can, with suitable orientation, equip themselves to fill the posts of chief executives. This panel could also be set up in pursuance of the decisions taken by the Consultative Council on Co-operation at its meeting held in New Delhi on 24 April 1974 that each state may have a state level panel authority on the lines of the Authority for national level federations. The first alternative is to be preferred, namely, the National Co-operative Land development Banks Federation being in charge of the work of preparing a panel of chief executive officers. Such a panel can be constituted from among persons available in organizations such as the Agricultural Credit Department of the Reserve Bank of India, Agricultural Refinance Corporation, land development banks and the state government officers including those from the IAS cadre.

125. It is essential for central land development banks to initiate immediate action in order to implement the Management Trainees Scheme recommended by the Reserve Bank in March 1973 with suitable modifications according to local requirements. The young executives selected under the scheme

should be given necessary training in banking and other fields and they should form a core from which in due course the top management personnel can be appointed.

126. It is necessary that the scales of pay and conditions of service of the personnel working in the land development banks should be made sufficiently attractive. The banks would do well in this connexion to have a Staff Service and Recruitment Board consisting of the chairman, the managing director, an economist, a person qualified and experienced in technical aspects of agricultural development and a personnel management specialist. The functions of this Board should be: (a) to lay down policies and procedures pertaining to the recruitment of the staff by prescribing minimum qualifications and experience necessary for the staff; (b) to interview the candidates preceded by a written test; and (c) to recruit persons belonging to the senior, middle and primary levels.

127. Norms in respect of numerical strength of various cadres at different levels except for the top personnel like managing director, manager, chief accountant etc., will depend on the volume of business of the bank, including the number of loan accounts, the total advances and outstanding, the area of operation and so on. It will be helpful if a detailed exercise in this connexion can be undertaken by the National Co-operative Land Development Banks Federation for the benefit of its member-banks.

128. It is essential to conduct short duration courses (not exceeding 3 months) in various aspects of management training at the training centres organized for the personnel of the land development banks by the State Co-operative Unions and the National Co-operative Union of India. The training of personnel should not end with the initial course of three months, but it should be a continuous process in as much as the basic management training course should be followed by a series of refresher courses for which the College of Agricultural Banking at Poona will have to be suitably equipped and strengthened. In order to enable the college conduct various courses for the training of personnel of land development banks, the Reserve Bank may consider including in the faculty staff of the college one or two officers from the central land development banks who have adequate experience in various aspects of the working of these banks.

129. Additionally, it is necessary to provide for the orientation of field personnel through the core personnel who are trained at the college of Agricultural Banking, Poona. These personnel should conduct orientation seminar camps and brief and acquaint the field personnel in respect of the latest policies and programmes pertaining to long-term agricultural credit.

130. The Committee for Co-operative Training may conduct a variety of functionally-oriented courses at the training centres run by the state co-operative unions. The subject matter and contents of the functionally-oriented courses for personnel at different levels may be as follows:

- (1) Special course for Accountants of primary bank.
- (2) Special course in loan appraisal for field personnel like supervisors.
- (3) Familiarization Course in technical matters like study of contour maps, groundwater development, study of revenue records, study of aspects like extending electric connexions in rural areas etc.
- (4) Familiarization Course for recovery of dues including:

(a) coercive measures;  
(b) collection at procurement centres, where monopoly procurement is introduced;

(c) efforts at linking credit with marketing. This list is not comprehensive but illustrative. A more comprehensive list may be drawn by the Committee for Co-operative Training in consultation with National Co-Operative Land Development Banks Federation.

(131) The scheme for technical personnel in land development banks is essential for providing a nucleus of technical competence in the banks to help the officers of the banks in dealing with schemes, bringing about liaison with the technical department of the state government including the state groundwater directorates and bodies such as the state electricity boards and guiding the field staff of the primary banks on technical aspects of the terms and conditions of the loans and compliance thereof. Such technical personnel in the central land development banks should be sufficiently senior and should receive orientation training in land development banking so that they have a fair general knowledge of the banking aspects of the schemes, apart from their purely technical aspects. Some of the technical staff may be posted in the banks' zonal offices to assist the banks' district/regional staff in examining the technical feasibility of schemes and effecting liaison with the district level technical officers of the state government like Deputy Director of Agriculture, Horticulture Officer and Engineer of the State Electricity Board.

132. Depending upon the size and scope of developmental schemes financed, the bigger primary land development banks may also have one or two technical officers for field work. Such officers while being under the administrative control of the manager or secretary of the primary land development bank, should work under the technical control and direction of either the technical officers of the central land development bank or under the state government's technical officer like the Deputy Director of Agriculture. Otherwise, they will be wasted on aimless general work.

133. Central land development banks should have a few picked and well-qualified technical officers in subjects like hydrogeology, land levelling and reclamation, dry farming, horticulture etc., depending upon the type of developmental schemes being financed by them. Such staff may, in course of time, be posted in the zonal offices of central land development banks situated in the divisional headquarters and serving a group of regional or district offices. This technical staff should not be in duplication of the technical staff of the state governments.

It is obviously impossible and unnecessary for land development banks to have an elaborate technical staff because giving technical advice and effecting technical supervision is the responsibility of the state government's technical departmental staff which is sufficiently large and widespread and has been built up over the years.

134. The chief executive officer of a central land development bank should be the leader of a team consisting of technical officers (including agricultural economist) and banking officers. It is only in this manner that central land development banks and primary banks, in conjunction with the staff of the state government's technical departments, especially Agriculture, Irrigation, Horticulture etc., can be able to play a meaningful role in the actual preparation of local agricul-

tural development schemes instead of leaving this vital work almost entirely to the state government as is largely the position today. Land development banks will thus have a key role to play in the actual formulation of schemes, and for this purpose, they should have trained key technical officers who will be able to effect liaison with the state government's technical departments at the headquarters, advise the bank managements in regard to the technical feasibility of schemes, explore the possibilities of having new schemes of productive agricultural lending in their areas in collaboration with the technical departmental staff of the state governments and help in preparing guidelines for scheme preparation for the use of the district or regional offices of central land development banks which should be manned by a competent, well-trained and specially selected development officer/assistant development officers with sufficient banking background and executive experience who will head an informal team consisting of the deputy director of agriculture, deputy director of horticulture, deputy registrar of co-operative societies and a few others including the engineer in charge of the district/local office of the state electricity board, the district statistical office, and the regional officer of the state groundwater directorate.

135. The informal team will of course have to draw upon the experience of the staff however down, viz., the state government's block staff, particularly technical staff and other staff of the primary land development banks. Such an informal team should be able to make meaningful the task of formulation of agricultural development schemes which today is done mostly in the headquarters of the states and then broken down into district and sometimes block plans arbitrarily. Such teams can be formed at the block level also wherever feasible in the case of areas having potential for agricultural development and can be headed by the manager of the primary land development banks. In this effort, of course, as many cultivators as possible should be contacted while formulating the schemes so that they can be finalized taking into account the requirements of the local situation. Special efforts should be made to contact as many small farmers as possible so that their specific problems are taken into account such as the need for longer repayment, while formulating the schemes. Identification of areas suitable for agricultural development schemes, contacting cultivators, including in particular small farmers, will all form part of the detailed work of scheme formulation. The leadership and drive will have to come from the team leader who will be the Development officer/Assistant development officer of the zonal or district or regional office of the central land development bank. To illustrate, for minor irrigation schemes the informal team will meet in the regional office of the central land development bank or elsewhere and discuss the rough outline of a scheme prepared by the development officers/assistant development officer of the central land development bank. The team will then find out the type of data to be supplied by the deputy director of agriculture or regional office of the State Groundwater Directorate regarding groundwater availability, cropping pattern etc., and by the Engineer of the State Electricity Board regarding availability of electric connexions in the scheme area and so forth. Then a draft scheme can be prepared by the development officer/assistant development officer to be further discussed and finalized at further meetings of the group. Thus there

should be informal team work at the district and block level, the role of co-ordination and preparation of schemes being played by the development officer/assistant development officer of the central land development bank. This is as it should be because the schemes are the banks' schemes and not of the government's. Such type of arrangements cannot be played by all central land development banks. But it should be possible for at least some of the banks to make a beginning in this direction. The central land development banks in states such as Andhra Pradesh, Karnataka, Tamil Nadu, Madhya Pradesh and Uttar Pradesh will be able to attempt this and make a success of it provided the necessary initiative is taken by the central land development banks and full support is given by the state governments. For this, the government's technical departmental officers should shed their compartmental and individual approach and work as members of a team. The success of this scheme also depends upon the drive, competence and status of the development officer/assistant development officer of the central land development bank who should have qualities of leadership, drive and ability for co-ordination. This arrangement will also relieve the government departmental technical officers of scheme preparation work which they do now in isolation and without due regard to the banking aspects and will enable them to concentrate on their main work which, in the case of the deputy director for agriculture, for example, is extension work, ensuring supply of fertilizers and seeds, etc.

136. There are arrangements for co-ordination in almost all states at the state level and in some cases at the district level as well. The Agricultural Production Commissioner or Development Commissioner of the state is usually the chairman of the committee at the state level which includes senior officers of the various departments and agencies, viz., Agriculture Department, Co-operation Department, Horticulture Department, Irrigation Department, Groundwater Survey Department/Directorate, State Electricity Board etc. In some states at least the state level committees are quite active and are performing a useful role. Co-ordination at the lower levels seems to be inadequate in most states. There are some states where district committees under the chairmanship of the Collector are constituted to review and deal with problems in implementation of the schemes sanctioned by the Agricultural Refinance Corporation. However, in several cases, the meetings of the committees are not regularly held.

137. It is of crucial importance that the bank officials and technical officers at the district or regional and block levels work together in informal teams as indicated in recommendation No 134 and such small teams of officers—both general and technical—of land development banks and the state governments functioning at the district/regional/block levels, will be far better in effecting co-ordination and in making the work of the formal co-ordination committees effective.

138. The co-ordination committees at the state and district levels should include a senior officer of the central land development bank.

139. The Agricultural Production Commissioner/Development Commissioner who is usually the chairman of the state level co-ordination Committees should be in charge of all the connected departments of the government especially Agriculture, Co-operation, Irrigation, Animal Husbandry, Fisheries, Poultry and Horticulture, if he is to be an effective coordinator. This is not the case in some states.

140. The role of the Reserve Bank will be even more important in the light of our various suggestions and recommendations contained in this report. These are as follows:

(a) The Bank may make available to the National Co-operative Land Development Banks Federation, panel of names of officers suitable for being appointed as chief executive officers in the central land development banks.

(b) The Bank may introduce a detailed scheme for regular inspection of at least the bigger primary land development banks, say once in two years, instead of the present system of visits to a few banks at the time of the inspection of central land development banks. This is essential in view of the large amounts provided by the primary banks for investment in agriculture and also with a view to improving the operational efficiency of the banks.

(c) The Reserve Bank may expand the facilities for training in land development banking at the College of Agricultural Banking, Poona indicated in recommendation No 128.

(d) The Bank may conduct regular and detailed inspections of central land development banks at least once in 18 months instead of much longer intervals as at present. For this purpose the inspection staff of the Bank's Agricultural Credit Department should be suitably strengthened.

141. There is need for the Agricultural Refinance Corporation to take more active interest in the actual working of the land development banks and in improving their methods of working. For this purpose, the Agricultural Refinance Corporation may help each central land development bank in preparing a staff development plan, including technical staff, and the most appropriate set up of staff. The Agricultural Refinance Corporation can also help the banks actively in identifying new areas of investment to enable them to maintain the tempo in their loaning operations.

142. The Agricultural Refinance Corporation's relationship with the land development banks can be further strengthened by its providing orientation training facilities to the management trainees or senior executives of the banks and by introducing a scheme for exchange of officers which will be to the benefit of both the institutions, viz., the Agricultural Refinance Corporation and the land development banks.

143. There is considerable scope for the National Co-operative Land Development Banks Federation helping land development banks in their further development.

The Federation should have a Division of Studies and Research headed by a very senior officer who should be helped by other officers and supporting staff. This division should undertake detailed studies of the various aspects of the working of land development banks, especially the banks in the co-operatively weak states, and make detailed suggestions for improving their operational efficiency including simplification of procedures—a sphere in which very little study has been done by any agency. Further, the Federation will have to devote greater attention to the banks in co-operatively weak states where a programme for their reorganization is to be taken up in pursuance of the recommendations contained in this Report. The Federation could also play an active role in the collection and publication of statistical data in respect of land development banks by means of Reviews, Bulletins and Brochures on a regular and planned basis.

144. In several states, some of the important provisions in the Maharashtra Co-operative Societies Act such as those relating to public enquiry, priority of mortgage in favour of land development banks, granting of loans to tenants, recovery of loans as arrears of land revenue and constitution of guarantee funds to meet losses have already been incorporated either fully or with certain modifications. There are, however, states like Assam, Himachal Pradesh, Jammu & Kashmir and Tripura where they are yet to be adopted. These provisions are necessary to cut down delays in sanctioning loan applications and to enable the land development banks to adopt progressive loaning policies such as giving loans to tenants etc. These provisions also include adequate powers to the banks for effecting recovery of overdue loans as arrears of land revenue. It is, therefore, recommended that each state may review the present legal framework regarding the working of land development banks

and enact suitable provisions on the lines of those in the Maharashtra Co-operative Societies Act. Such a step will go a long way in helping the banks in increasing their lending operations.

145. In many states, land reforms legislation has been enacted, one of the objects being to fix a ceiling on individual land holding. This has created in some instances a sense of uncertainty in the minds of the borrowers of the land development banks. In a few states such as Jammu & Kashmir, Himachal Pradesh, Orissa and West Bengal the land reforms legislation (as enacted) does not provide for transfer of liability on account of loans taken from land development banks to the persons who acquired the surplus land consequent upon the enforcement of land ceilings. This may affect the interests of the banks in case there is default by the borrowers. The state governments may make suitable provisions in the land reforms legislation so that the interests of land development banks are not affected by transfer of land due to land ceilings.

## COMMITTEE ON ESSENTIAL COMMODITIES AND ARTICLES OF MASS CONSUMPTION, 1973.

Report, New Delhi, Planning Commission, 1973. 310p, (Memorographed)

Chairman: Mohan Dharja.

Members: Prof. S. Chakravarty, Shri G. C. L. Joneja; Secretary, Planning Commission; Shri M. Mohan Singh; Shri S.S. Puri; Shri. K. Kishore; Shri Vinod Kumar; Shri A.P. Verma; Shri D. K. Saxena; Dr. K.S. Gill; Shri N. Narayanaswami.

Member Secretary: Shri M. Satya pal.

### APPOINTMENT

The Committee on Essential Commodities and Articles of Mass Consumption was set up vide Planning Commission U.O. No. 13/73-pp dated March 6, 1973.

### TERMS OF REFERENCE

- (1) to suggest long-term and short-term policies; and
- (2) measures for making available essential commodities and articles to the common man at reasonable prices.

### CONTENTS

Foreword; Introductory; Broad approach; Coarse cereals; Pulses; Sugar; Gur and Khandasari; Edible Oils and vanaspati; Milk; eggs and fish; common clothing; standard footwear; Kerosene oil and domestic fuels; common drugs and medicines; Bicycles and bicycle tyres and tubes; Matches, dry cells and Hurricane lanterns; Soaps and detergents; Textbooks and Stationery.

### RECOMMENDATIONS

#### Coarse Cereals

Generally, coarse cereals are grown under rainfed conditions. Arid and semi-arid lands account for a substantial area. The percentage of irrigated area to total area is highest in the case of barley, being about 50 percent. In the case of maize, only 18 percent of the sown area is under irrigation. Jowar and Bajra, the two most important coarse cereals, have as low as about 4 percent of the area under irrigation. The average of all the cereals taken together works out to 10 percent.

The coarse cereals have had a much lower rate of growth than the superior grains (wheat and rice taken together). The average output of superior grains in the triennium ending 1971-72 was 37.3 percent higher compared to the average output in the triennium ending 1964-65 while in the case of coarse cereals the corresponding increase was only 11.6 percent. The average compound rate of growth for the seven year period works out to 4.6 percent for superior grains as against only 1.6 percent for coarse cereals.

One reason for sluggish growth of output of coarse cereals has been the fact that only in Gujarat, Madhya Pradesh, Orissa, Rajasthan, Punjab and Haryana, there has been a sizeable increase in area in recent years. In all other cases, the area has either decreased or remained stagnant. There is also the factor that when a dry area is brought under irrigation, it often tends to be diverted to superior grains or non-food crops. The area under coarse cereals largely

remains unirrigated and low yielding. Finally, except in the case of bajra, the high yielding varieties programme has not made much headway. There has thus been no significant improvement in per hectare yields. In the case of jowar yields per hectare has, in fact, declined.

Jowar is the most important coarse cereal, accounting for about 30 per cent of the total output of these cereals. It is grown both in Kharif and Rabi seasons. The main producing states are Maharashtra, Mysore, Madhya Pradesh and Andhra Pradesh. These account for about 80 per cent of the total output. Rabi jowar accounts for about 30 per cent of the total output. There has been a sizeable decline in jowar output in the triennium ending 1971-72 compared to the triennium ending 1964-65. This is accounted for by decline in both areas and yield. Except for Mysore where there has been an increase in area as well as yield, output has declined in all major producing states, particularly Maharashtra. Apart from the fact that during the last three years weather has been particularly adverse to jowar, the hybrid jowar programme does not seem to have made any tangible impact except in Mysore.

Bajra is the next important coarse cereal. The important producing states are Rajasthan, Gujarat, Uttar Pradesh, Haryana and Maharashtra which, among themselves, account for 80 per cent of the total output. Unlike jowar, bajra has registered a high rate of growth in production. The average output in the triennium ending 1971-72 was 51.5 per cent higher than in the triennium ending 1964-65. This gives an average annual compound rate of growth of 6.1 per cent. The major contribution has come from improvement in yield per hectare. This is because of the fact that Bajra is predominantly a rainfed crop. The substantial increase in productivity has been made possible by the success of the Hybrid Bajra programme. Rajasthan, however, remains largely unaffected. If 1970-71 is excluded, as it had an exceptionally favourable season, the average yield in this state has registered only a marginal increase. If the hybrid bajra programme catches on also in Rajasthan, substantial further increases in total output could be hoped for.

Maize is predominantly a kharif crop, though it is also sown to a small extent in Bihar and Mysore during the summer seasons. The important producing states are Uttar Pradesh, Punjab, Rajasthan, Bihar, Madhya Pradesh, Gujarat, Andhra Pradesh and Mysore which together account for about 82 per cent of the total output. Average output in the triennium ending 1971-72 was 31.5 per cent higher compared to the triennium ending 1964-65. The average annual compound rate of growth for this period works out to 4 per cent. Unlike bajra, the increase is attributable mainly to expansion of area rather than improvement in productivity. This is so in spite of the fact that over 18 percent of the area under maize is irrigated as against about 4 percent under bajra.

Major Ragi producing states are Mysore, Tamil Nadu, Andhra Pradesh, Uttar Pradesh and Maharashtra. They account for about 84 percent of the total output. The average output in the triennium ending 1971-72 was barely 6 percent higher than the average for the triennium ending 1964-65. There has been a small improvement in productivity while the area has virtually remained unchanged.

Small millets are mainly grown in Andhra Pradesh, Tamil Nadu, Madhya Pradesh, Uttar Pradesh, Mysore, Gujarat and Bihar. These states account for about 90 per cent of the total output. The average output in the triennium

ending 1971-72 was about 8.2 percent lower than in triennium ending 1964-65. This fall in output is almost wholly attributable to decline in productivity. Perhaps, the small millets are being pushed on to even more and more inferior lands. The area has remained more or less stagnant.

Uttar Pradesh and Rajasthan are the most important barley growing states accounting for about 76 percent of the total output. The average output in triennium ending 1971-72 was 14.6 percent higher compared to the average for the triennium ending 1964-65. During this period, area declined by 8.8 percent. The 14.6% increase in productivity, therefore, indicates a substantial improvement in productivity. This is, perhaps, attributable to the fact that some 50 percent of the area under the crop is irrigated.

The coarse cereals have shown not only a sluggish rate of growth but also large fluctuations in output from year to year. During five years 1967-68 to 1971-72, total output has ranged from 24.4 million tonnes to 30.6 million tonnes. The principal coarse cereals, namely, jowar, bajra and maize are particularly susceptible to large annual variations in output. During the above five year period, the output of jowar has ranged from 7.7 to 10 million tonnes, bajra from 3.8 million to 8 million tonnes and maize from 5 million to 7.4 million tonnes. Since only a small proportion of the total area particularly in the case of jowar and bajra is under irrigation, vagaries of weather have a large impact on output. Much more than wheat and rice, the coarse cereals are a gamble in monsoons.

The total output of coarse cereals is projected to go up by 19.3 percent as against 22.6 percent increase projected for wheat and rice taken together. The average compound rate of growth works out to 3.6 percent per annum as against the average rate of 1.6 percent observed in recent years.

The increase of 19.3 per cent over the Fifth plan period is to be achieved through 3.3 percent expansion in area. The average annual increase in area works out to 0.7 percent and that in productivity to 2.9 per cent.

In consequence of sluggish output against expanding money demand, prices of coarse cereals have shown a general rising trend. While the general trend has been upward, sharp fluctuations in output have resulted in even sharper fluctuations in price. In good years like 1970, prices have fallen to unduly low levels while in scarcity years like 1973 these have risen to exorbitantly high levels.

In recent years, only small quantities of coarse cereals have been procured by Government. The maximum quantity procured was 0.77 million tonnes in 1967-68; since then there has been a steady decline in procurement. In the last few years, procurement has fallen to much below even the level attained in the drought years of 1965-66 and 1966-67. As a result the Government has been in no position to prevent a sharp rise in the price of coarse cereals in 1973. With the onset of the lean season, these prices have attained dizzy heights.

Issues through the public distribution system have been generally larger than procurement. This was made possible by imports. While there were no imports of coarse cereals during 1970-72, in the current years some imports of milo have been arranged.

Coarse cereals are the poor man's food, even though in certain regions these are more or less a staple diet also of better off sections. It is necessary to ensure availability to the



common man at reasonable price at least in areas where coarse cereals are a staple diet. The only effective long-term solution seems to be in building up the capability of the public distribution system for procurement and issues of much larger quantities of coarse cereals, particularly jowar, bajra and maize than has been the case in the last few years. This task will be facilitated if the envisaged increase in production of coarse cereals materialises. This underlines the importance of effective measures for raising the output of coarse cereals in spite of the fact that irrigation very often leads to diversion of area from coarse to superior cereals.

In 1966 over 1.8 million tonnes of coarse cereals were issued through the public distribution system. In the following year the quantity rose to the record figure of 2.8 million tonnes. It is doubtful whether issues of this order would be attainable in the Fifth Plan period without large imports which are not contemplated. Moreover the issues will vary in good and bad crop years. Unless the coarse cereals are made available at a highly subsidised price, off-take from the public distribution is likely to go down in a good crop year. On the other hand, much larger numbers are likely to depend on issues from the fair price shops in a poor crop year. It would be reasonable and realistic target for the Fifth Plan to aim at 1.5 million tonnes of issues in a poor crop year and 0.75 million tonnes in a good crop year.

Adequate procurement is crucial to the fulfilment of the targets in respect of issues and buffer stocks of coarse cereals. In the absence of effective arrangements for procurement the system would languish and die out. So far, coarse cereals have been purchased in the open market under price support operations except in Maharashtra, where monopoly procurement has been in force, and in Mysore, where a levy on producers has been in operation. A levy on dealers was imposed in Punjab, Madhya Pradesh, Rajasthan and Uttar Pradesh during 1972-73. A suitable package of devices has to be worked out for more effective results in the future.

The monopoly procurement scheme which is operated in Maharashtra, is subject to several loopholes. Lately, it has been yielding rather meagre results. The results achieved in Mysore by levy on producers are even more insignificant than by monopoly procurement in Maharashtra.

When the takeover of wheat and rice is stabilised it will be necessary to extend this also to coarse grains, inter alia, with a view to avoiding the possibility of inter-crop distributions through which over of an area to coarse cereals. Otherwise, in these circumstances, it would be conducive to more efficient management of the food economy, in good as well as bad years, if wholesale trade in all cereals is in public hands. It is, however, necessary to work out adequate arrangements for procurement for the period till such time when the conditions are considered ripe for the takeover. For this period in the light of past experience and the production characteristic of coarse cereals mentioned earlier, we would suggest a combination of an adequate support and procurement price and an appropriate levy as the basic system of procurement. It may be left to the individual state Governments to decide, in the light of their circumstances and capabilities whether to have a levy and, if so, whether to have it on traders or on farmers or a suitable combination of the two. In making this choice, the states will no doubt have to take into account the system adopted by them for wheat and rice.

In poor crop years the procurement price may be fixed at an appropriately higher level than the support price. The support price may be indicated at the beginning of the sowing season while the procurement price may be announced only when the crop prospects are reasonably clear.

The success of this system will depend firstly on an adequate support price. It must be an effective and not a mere paper price. In other words, it must be fixed at a level which the market price is likely to come down to in a good crop year. While the support price may be related to the cost of production, in estimating the former the various cost elements may be allowed on rather liberal basis. Moreover, the costs may be estimated not in reference to good crop year, but an average of good, bad and normal years. Coarse cereals are mostly grown in dry regions which, for want of adequate irrigation facilities, are poor and backward. A liberal support price will also serve the ends of social justice and provide some relief to areas that have not so far had their due share in economic development. In the relatively well off wheat growing regions, an adequate price for coarse cereals will also provide an added incentive to extend area under kharif cereals. In these regions, because of climatic reasons, kharif cereals, for example maize often involve higher costs of cultivation per hectare than wheat in rabi. This factor must be taken into account in fixing the support price for coarse cereals if the wheat growing regions are to be encouraged to put in extra efforts in growing kharif cereals as a second crop in lands which are not suitable for rice.

The procurement price may be looked upon mainly as a device for procurement. In line with this concept, the procurement price may be fixed only after the crop prospects are quite clear. In poor seasons, it would need to be fixed at a level appropriately higher compared to the support price. In good seasons, the procurement price need not be fixed at a level higher than the support price. The fact that the output of coarse cereals is subject to wide fluctuations means that, in good years, the output can be much above the normal. This, given an adequate price, should make it possible to procure large quantities at the support price. No such opportunity should be allowed to go waste for want of adequate preparations for procurement.

While adequate support and procurement prices may help to procure substantial quantities of coarse cereals in a good crop season, for pushing up procurement to the levels envisaged above an element of compulsion will also be necessary. This would be even more necessary in a poor crop year when, unless the procurement price is fixed at an inordinately high level, voluntary procurement is likely to be very inadequate. In the context of the production characteristics of coarse cereals an element of compulsion may be provided by a levy as discussed above.

Where a levy on traders is resorted to, its success will depend apart from a high personnel of public procurement agencies on the existence of widespread and efficient system of regulated markets. In several of the main producing states, a fairly good system of regulated markets already exists. In others this will have to be created as a matter of high priority. It is only this way that it can be ensured that a high proportion of the marketable surplus actually arrives in markets and is either directly purchased by the public agencies or, at least, becomes subject to the levy on traders.

Pulses



Pulses are a major source of protein in the Indian diet. The major pulses produced in the country are gram (Bengal gram), tur (Arhar or Red gram). Other pulses produced in the country include urad (Black gram), mung (Green gram), Kuthi(horse gram), masoor (lentils), kesari(lakh), moth, peas and beans. Pulses account for about one-fifth of the acreage under foodgrains and one-ninth of their output.

There has been stagnation, with substantial decline in some years in the output of pulses since 1960-61. As a result there has been a declining trend in the per capita net availability of pulses for human consumption.

The per capita net availability in 1971-72 was only 17.2 kg. per annum as against 25.2 kg. in 1960-61. The substantial decline in availability is a matter of concern. It makes it all the more difficult to provide a balanced diet to our people particularly those in the poorer states who cannot afford to make up the deficiency by taking a quantum of milk, meat, and fish.

We have come to the conclusion that as long as supply-demand imbalance remains as acute as at present, adequate availability to the common man at reasonable prices is an unattainable objective. A substantial increase in production is an essential prerequisite for the realisation of this objective. However, even if the ambitious Fifth Plan target for pulses is realised, it is doubtful if this by itself would solve the problem of assured availability to the common man at reasonable prices. For one thing, this level of output may not fully come up to the total quantum of demand at that time. In fact the Steering Group on Agriculture has estimated this demand at 16 million tonnes even though it refrained from suggesting the same as the output target as this would have been too unrealistic. Secondly, the area under pulses would continue to be largely rainfed with the inevitable consequence of large fluctuations in annual output. The consumer, therefore, has to be protected against the consequences of vagaries of weather as well as against the depredations of speculators and hoarders who, in terms of their basic motivation, always try to take advantage of fluctuations in output to fleece the consumer as also to deny the producer his due. For these reasons we have come to the conclusion that, in the long run, the public distribution system must also cover a substantial proportion of the total.

While the public distribution system could grow to a satisfactory level only when the envisaged increase in the output of pulses materialises, a beginning even if a modest one may be made right now in bringing pulses within the scope of the public distribution system. Adequate support and procurement prices and an appropriate levy may be adopted as the two basic devices for procurement more or less in the manner indicated in the case of coarse cereals. During the next few years, before production comes up to a satisfactory level, the feasibility of some very limited imports at reasonable prices may also be explored.

In the initial stages when the supplies available to the public distribution system may be very limited the issues will have to be very selective. These may be restricted to such obvious cases as areas with large concentration of workers or the poorest strata in some of the very backward regions. The coverage may be developed pari passu with the ability of the system to procure.

## Sugar, Gur and Khansari

Sugar, Gur and Khansari are essential sweetening agents in the predominantly vegetarian Indian diet. However, since several decades now, except for very limited periods, the position in respect of their availability and prices has seldom been satisfactory. It is necessary to work out and implement a long term policy designed to provide assured availability of sugar and allied products to the common man at reasonable prices. We feel that it is an attainable objective.

The cost of Indian sugar is much higher than the price in international markets. Economics in cost are, therefore, an urgent necessity.

It may be seen that cane accounts for 70 per cent of the cost of sugar. It is, therefore, necessary to undertake all possible measures to produce cane at a lower cost. At the same time it is necessary to resist pressure to push up cane prices to unjustifiable levels. In the interest of sustained long term growth of the industry on a sound basis as also for ensuring the consumer of adequate availability at reasonable price it is as necessary to avoid excessive price as unremunerative price.

In many cases reduced overall efficiency measured by the percentage of sugar obtained in bags compared to sugar in the cane is below the normal level of 84 percent. Fuel consumption is often high. While these losses and diseconomies can be reduced by technical measures, a well conceived and phased out programme of modernisation is overdue. In several cases it may be necessary to relocate small units at more appropriate locations. Whatever organisational, institutional, technical and financial measures are called for by modernization, expansion and relocation must receive high priority in the Fifth Plan. Making due allowance for limitations of finance and availability of indigenous machinery, a properly phased programme and appropriate financing arrangements must be worked out.

The cost of sugar would also be reduced if there is full utilization of capacity. For this it is necessary to ensure adequate quantities of cane to the mills. Among other measures it is necessary to develop sugarcane around factory areas and to restrict installation of new khandsari and large scale gur making units in these areas. A factory development plan may be prepared for each area and implemented in a phased manner. Another way to reduce costs of sugar manufacture could be to make a fuller and more profitable use of byproducts such as bagasse, molasses and press mud.

The mills must receive a reasonable price for molasses. The larger the recoveries on account of the by-products, the lower will be the cost of manufacture of sugar. Labour productivity is generally low. Over 10 man days are required per tonne of sugar compared with about 2 in the Philippines. There is thus considerable scope for improvement in labour productivity.

The Task Force has estimated the cost of renovation and modernization at Rs.120 crores. Since renovation and modernization often yield additional capacity the expansion will also take care of a part of the problem of modernization. Moreover it may be unrealistic both from the point of view of financial constraint and the availability of machinery that the whole backlog of modernization can be cleared in the Fifth Plan period. Taking these factors into account the requirements for modernization may be put at about Rs.75 crores.

Inclusive of modernization the investment requirements

for the Fifth Plan period would work out to around Rs.350 crores. It is necessary to work out detailed and realistic financial arrangements for putting through this order of investment. The machinery component of this investment may be of the order of Rs.240 crores. Effective and reliable arrangements have to be made to produce this amount of machinery, reducing the import component to the minimum. At the same time adequate availability of steel, cement and other building materials has also to be ensured.

Besides effective measures to realise the Fifth Plan target for sugar production an adequate buffer stock is very necessary to put sugar availability on a sound footing. The Fifth Plan target for buffer stock may be fixed at one million tonnes. The buffer stock has to be in addition to the operational stock. While the sugar season begins in October, production picks up only in November. In October 1978 the offtake may be taken at about 4.5 lakh tonnes. The deficit of 3 lakh tonnes will have to be met by drawing down the stocks. The operational stock cannot be drawn down to zero at any time. Cane months offtake, that is 5 lakh tonnes, may be considered as the minimum operational stock for smooth operation of the distribution pipe line. The total requirement of operational stock at the beginning of sugar season may thus be estimated at 8 lakh tonnes. Taking the buffer stock and the operation stock together a target of 18 lakh tonnes may be fixed for October 1978. The total stock on 1st October 1973 is likely to be of the order of 9 lakh tonnes. During the Fifth Plan period it will be necessary to add 9 lakh tonnes to stock besides meeting the requirements for domestic consumption and exports.

After carefully considering the pros and cons of a duel market system of sugar we have come to the conclusion that this will need to be maintained at least till the envisaged buffer stock has been built up and supply position is fairly comfortable. Of course, if there is a major organisational change such as the nationalisation of sugar industry, the position will have to be thought out afresh. As long as the existing organisational arrangements are maintained, a duel market system may provide the only practicable course to ensure minimum requirements while providing the balance requirements at an appropriately higher price. In respect of the duel market the ratio of levy to free sugar may be maintained at the ratio of 70:30.

Failure to create efficient distribution of arrangements in the rural areas would have lost much of its rationale. We urge redoubled efforts to build up an efficient distribution system for levy sugar both in rural and urban areas.

The states, it may be reiterated, must have the full responsibility for distribution of the quota made available to them. The supplies may be retailed to the consumers through licensed fair price shops. In order to prevent abuses the fair price shops must be debarred from dealing in free sale sugar. We understand that the State Governments have already agreed to do this.

Since it is not possible for Central Government to fix scales of distribution to various classes of consumers in different parts of the country, it has been left to the State Governments to do this, taking into account the habits and customs of the people in the matter of consumption of sugar. It has, indicated to the State Governments as a guideline that the issue of levy sugar should not exceed one kg. per head per month or fall below one kg. per family per month in any

area. This practice of State Governments varies in this respect. While we would not like to suggest dilution of the State responsibility we would commend observation by all the States of the ceiling and the floor indicated by the Centre. It would be desirable if the State could be persuaded to agree on a reasonable measure of uniformity in approach in this matter. There are continued complaints against the functioning of the fair price shops. The arrangements for the supply of levy sugar in rural areas are even less satisfactory. The State Governments must give urgent and concentrated attention to improving the retail distribution machinery particularly in the rural areas.

While everything possible should be done to ensure that there is no unjustified increase in any of the above elements of cost, thus ensuring a reasonable stable retail price for levy sugar, it may not be advisable, because of the need to mobilise all possible resources for development, to undertake an unqualified commitment for an absolutely stable retail price. It would be more realistic to aim at reasonable rather than absolute stability.

We must break vicious cycle affecting sugar availability for a long period now. We will be fully rewarded for such restraint if conditions are thereby created for sustained availability at reasonably stable prices for both good and poor seasons. If this restraint tends to keep or push up prices to a level not justified by the cane prices paid by the manufacturers, the Government may seek to divert this surplus into the national fisc by raising the excise duty on free sale sugar.

There is also need to evolve a long-term export policy for sugar. The quantity to be exported has a direct bearing on availability for domestic consumption. It is also necessary to work out long-term arrangements for financing the subsidy involved in exports.

### Gur and Khandsari

There is a reason to believe that the use of gur as food is going down but the overall demand is maintained at about the same level because of certain other uses such as illicit distillation.

The extraction of sugar from cane is much lower in gur and kandsari manufacture compared to the manufacture of sugar in modern vacuum pan factories. There is loss of sugar both in not extracting the full juice from cane and not removing the full sugar present in the juice. These traditional industries are, nevertheless, able to carry on and compete with modern sugar industry because of several forms of discrimination in their favour. Unlike the sugar factories, there is no statutory minimum price in respect of the cane purchased by gur and khandsari producers, no purchase tax on cane, no obligation to buy cane only through cane societies (wherever these exist) and pay commission on cane purchases, no licensing and no registration with the Central Government, no watch on payment of arrears of cane price payable to growers, no control on the by-product molasses, no levy on output, no control on distribution, and no control on inter-state movement. Gur manufacturers pay no excise duty, not even the large producing units. There is 17 percent ad valorem duty on khandsari manufacture (as against 30 percent on mills) but very often it is compounded to nominal figure due to difficulty of collection. Another reason for the

continuance of gur and khandsari manufacture is the fact that in cane-growing areas where there is no sugar mill, this is about the only available outlet.

Gur and khandsari manufacture constitutes a very wasteful use of the country's sugarcane output. The country loses valuable sugar; the consumers get an inferior product; and the Government is denied large amounts of badly needed revenues. The long-term policy should be to ensure that the proportion of cane used for manufacture of sugar should grow steadily. While it is neither possible nor desirable for employment considerations to bring about the change overnight, the course of development must be set firmly in that direction. There should be no unjustified discrimination in favour of gur and khandsari manufacture. Some of the suggestions for a fairer competition between the modern and the traditional sugarcane processing industries are given below:

1. Since the traditional industry is under the purview of the State Governments, the latter may be persuaded to institute a system of licensing of khandsari units. This would, inter alia, facilitate collection of essential data which are lacking at present.

2. The excise duty on khandsari should be brought closer to that on sugar and the practice of compounding may be re-examined in respect of the rates and the system.

3. Sugar molasses may be given a reasonable price.

4. New khandsari units should be allowed to come up within 10 miles radius of the existing sugar factories. The existing khandsari units within this radius may be encouraged to shift to farther areas by giving them suitable incentives.

There is, therefore, need for technical measures for cutting down the present waste of sugar that is involved in traditional manufacturing methods.

It is necessary to fully establish the economics of the new process and to popularise. A specific programme to this end may be worked out for the Fifth Plan period.

The real solution for assured availability of gur at reasonable prices lies in (a) large production of cane and (b) reasonable stability and adequate availability of sugar. If the output of cane is large enough to meet the full requirements of sugar mills and yet spare adequate quantities for manufacture of gur and khandsari, there would be no scarcity of these items. Further, if in a poor crop year, a substantial buffer stock of sugar is available, it would be possible to maintain sugar availability at a reasonable price and prevent a flare up in the price of free sale sugar. This will naturally have a stabilising impact on the price of gur and khandsari. Even if it were possible, it would be unnecessary to maintain buffer stocks of sugar as well as gur and khandsari. An adequate buffer stock of sugar can also help to impart reasonable stability to the price of gur and khandsari.

### Edible oils and Vanaspati

A new public sector apex marketing organisation to be called Oilseeds and Vegetable Oil Corporation of India may be set up at an early date. It is understood that the proposal for such a corporation has already been accepted in principle by the Central Government.

All units that crush oilseeds with electric and diesel power (power crushers for short) should be licensed. It should be made obligatory on the power distribution authorities to

report to the oilseeds and oil corporation all crushers which have been given a power connection.

A statutory minimum price may be fixed for each of the important oilseeds. The minimum price must be adequately remunerative to the farmers. It should be obligatory for all power crushers to pay this price. They could, of course, pay a higher price voluntarily.

A levy, at the rate of 50 percent of output, may be imposed on all power crushers. The price for levy oil may be linked to the statutory minimum price for the relevant oilseed. The rate of levy may be progressively raised to 70 percent by 1978-79. The balance may be available to crushers for free sale in the market or sale to the corporation at a negotiated price.

The Government may also fix support prices for all the important oils. Besides procuring the levy oil the Corporation must be ready to buy all oil that is offered at the support price. The corporation may also purchase the oilseeds that may be available with Cotton Corporation of India or other procurement organisations, at a negotiated price thus adding to its supplies of oil.

The Corporation may issue a part of the procured oil in raw form. Another part may be refined and issued as such. An appropriate quantity may be made available to the vanaspati units. For convenience in handling and for guarding against adulteration the oil should be issued into the public distribution system in suitable cheap containers. The Corporation may set up bottling plants for the purpose.

As the supply position improves, the Corporation should seek to build up an oil buffer stock of 2.5 lakh tonnes, equal to about one month's anticipated requirements in 1978-79. To the extent possible, concessional imports, or even imports at commercial terms, may be undertaken to build up the buffer stock. This would of course, be additional to the operational stocks.

The requirements of the vanaspati producers should be increasingly met by the Corporation from the oil procured by it through levy and price support. By 1978-79 when the levy is proposed to be operative at 70 percent, the Corporation should be procuring a large enough quantity of requirements of vanaspati producers estimated at 0.9 million tonnes.

There should be a levy on the producers of vanaspati equivalent to the oil supplied to them by the oil seeds and oil corporation. The price of levy vanaspati may be linked to the price of oils supplied to the producers. The producers will be free to sell the balance in the open market.

The states will have the full responsibility for distribution of their quota of oils and vanaspati made available by the Corporation. They may make arrangements for distribution through the fair price shops in about the same manner as for sugar.

When in 1978-79 a large part of the oil requirements of vanaspati manufacturers are met by the Corporation, the bulk of the output of vanaspati will become available to it. At that time the Corporation may itself operate a dual market. About 70 percent of the supplies may be issued through the public distribution system and the balance through convenient mechanism to meet the requirements of bulk consumers and excess requirements of other consumers.

Besides the operation of the public procurement and distribution system, the Corporation may also undertake measures for increased production of oilseeds. It could play

an important part in developing the output of supplementary sources of oil by providing an assured market at remunerative prices. To that end, it will need to co ordinate with the Cotton Corporation of India.

The Corporation may be entrusted with the exclusive responsibility for imports and exports of oilseeds and oils.

Taking past experience into account, the only lasting solution for assured supply of vanaspati to the common man at reasonable prices seems to lie in progressively extending the public distribution system to this essential article.

#### Milk

The policies and measures for making available milk and milk products to the common man revolve on two main factors. The first is the level of production and the second the availability of these commodities within the income limits of the common man. In case of milk, though there has been a progressive increase in the level of production during the last two decades, the increase has not been commensurate with the increase in population and the increase in per capita demand.

With regard to the availability of milk based products, the picture is not very encouraging either, even though nearly 60 percent of milk production presently goes towards manufacture of milk products (mostly ghee) in the rural areas and to some extent for the manufacture of infant food etc.

If the production targets of the individual product has to be increased on the basis of the estimated requirements upto the end of Fifth plan, then the fluid equivalent required would be of the order of 1.4 million tonnes per annum.

Presently, the milk product factories especially in the private sector are allowed to manufacture throughout the year high cost products by mopping even scanty availability of fluid milk in lean season by paying a very high price. The intrusion in the same milk shed areas brings in an unhealthy competition between liquid milk plants and the products factories. In view of this, it is necessary that the Ministry of Industrial Development reviews the policy regarding the licensing and working of milk product factories in the country.

Organised milk production and supply arrangements is also vital and this is the guiding factor in formulation of dairy programmes in the Fifth plan. A sound price policy can achieve substantial results in augmenting production of milk.

Cattle development coupled with dairy production and marketing will have to play a purposeful and gainful role in developing our economy.

A time has come now to see that sectoral allocations are made exclusively for cattle and dairy development. If funds are earmarked for this specific sector, it may be possible to achieve substantial increases even in our succeeding plans.

In spite of many difficulties, rapid progress has been made in most of the states and large dairies have been established with a direct link between rural producers and urban milk treatment units. Some of the big dairy plants have also established a chain of milk collection, cooling and/or chilling centres in the rural areas to afford necessary facilities for milk handling in large volume and for long distance transport without spoilage. These processing centres have contributed a stimulating effect on dairy industry throughout the country.

The recommended policies that need to be adopted are:

(1) Cross-breeding programmes need to be intensified through setting up additional intensive cattle development

projects and special area programmes in potential milk sheds of the country.

(2) Milk production being highly seasonal, the seasonal surpluses in certain areas will have to be conserved by setting up feeder balancing units for economic conservation for use in lean seasons by public cooperative milk schemes.

(3) The area of procurement of each liquid milk plant/milk products factory will have to be clearly demarcated to avoid fluid milk being diverted for manufacture of costly/luxury milk products.

(4) For discouraging adulteration and also providing a common pricing approach to cow milk and buffalo milk, a two axis pricing policy based on the quantity of milk measured in terms of fat percentage and SNF need to be followed.

(5) The infrastructure facilities for marketing of milk will have to be expanded through the establishment of new dairy plants in the public/cooperative sector to serve as a direct link between rural milk producers and urban milk consumers.

(6) The major milk and dairy development programme (operation flood) initiated during the Fourth five year plan will have to be expanded and continued in the Fifth plan.

(7) In order to reduce the deficiencies in the availability of milk in certain regions and mop up the surpluses in certain other regions, steps will have to be taken for forming a National Milk Grid.

(8) The feed and fodder development programmes will have to make up for traditional neglect and fodder seed production farms will have to be organised on a larger scale and facilities for multiplication and distribution of certified seeds expanded.

(9) The production oriented programmes will have to be supported by adequate animal health coverage. For this purpose, measures for stepping up the production of various types of vaccines to meet the increasing demand will have to be augmented.

In perspective planning for Animal Husbandry and Dairying for a 10 years period, all the above measures have been exhaustively dealt with. Milk production is a long-term measure and the genetical factors do not allow any short cut or expedient measures to attain this developed production.

In addition to the projects for organising intensive production in selected areas, covering the milk sheds of dairy projects, dairy cattle keeping with high quality cattle is also being encouraged in the SFDA/MFAL projects by the advance of loans and subsidy to small and marginal farmers and agriculture. A centrally sponsored scheme has also been included under the Fifth five year plan for feed subsidy for rearing of cross-breed heifer calves upto production stage.

From the above, it may be seen that if milk is to be made available to the weaker sections of the society at a reasonable price throughout the year, the programme for intensification and stimulation of milk production in the country has to be stepped up with financial and other supports on a continuing basis in the successive plans.

Intensification of milk production and procurement has to go hand in hand from the rural level and this can be achieved only through farmers' involvement under a system of cooperativisation of production, collection and marketing. This concept has paid good dividends in some states, and development of this process has also been included in the

## Eggs

With better distribution and storage conditions the demand for and consumption of eggs will make a substantial and rapid increase.

Since the prices of pulses have gone up, protein from vegetable sources, which is of relatively less biological value than protein from animal sources, has become costlier. The immediate protein gap cannot be bridged through increasing milk production as the generation interval in the cattle is longer. Chicken meat can be produced within eight weeks from the time chicks are placed in the shed. Production of eggs can be had in 20 weeks and unlike agricultural crops, it is spread over the whole year. Egg is a near complete food for human beings and can, therefore, be a product of choice for fighting malnutrition and under-nutrition among the masses. Suitable programme, therefore, need to be adopted to increase its production all over the country and to keep the cost of production low so as to bring it within the reach of the common man. Equal emphasis will have to be laid on reducing the cost of production by assisting the poultry industry in procuring its requirements of various inputs at cheaper rates.

Since production through private commercial farms around urban centres is likely to increase substantially in the plan periods, it may be desirable to aim at production of half the number of eggs targeted for the two plan periods through a special programme amongst the small and marginal farmers.

A poultry development programme may be launched to assist 3 lakh farmers in the 6th plan and 5 lakh in the 7th plan to set up poultry units of 100 layers each. The selection of farmers should be made in such a manner that as far as possible there are concentrated pockets of poultry farms in districts for easy and cheap servicing with all the required inputs. The farmers may also be encouraged to organise cooperative societies of their own for channelising credits in the form of cash or inputs and effecting recovery of the same through the egg marketing organisation out of sale proceeds of the produce delivered by them.

These cooperatives may be granted financial incentives in the form of managerial subsidy and if necessary even share capital contribution by the State Governments. For the first few years, a poultry officer may be assigned to the society to help manage the various activities on sound scientific lines. The societies may also be assisted to run small feed mixing units and marketing cell.

It may be desirable to introduce and popularise new coarse hybrid varieties of maize, which are suitable for livestock. The Department of Food may be requested to earmark the required quantity of maize for the poultry industry as they do in respect of the starch factories.

In respect of rice polish and groundnut oil cake, the State Governments may be authorised under the Essential Commodities Act to procure from the mills full requirement of poultry industry at predetermined price based on the cost of production.

With regard to fish meal, there are a number of fish meal plants in different States with high tonnage capacity, but the quantity of fish meal produced is only nominal. Since the re-

quired plants and machinery are already available steps may be initiated to increase the catches of fish and the fish meal plants run to their full installed capacity and overhead cost reduced to make available a good quality fish meal at reasonable cost.

Molasses is another source which can supply energy at cheap cost. While the requirement of molasses for the poultry industry is very small as compared to the total production of molasses in the country, the poultry industry has not been given a place of priority and is, therefore, not getting the advantage of this low cost feed. The Petroleum and Chemical Ministry should, therefore, earmark the total requirements of molasses for the poultry industry through the State Animal Husbandry Department.

Maize gluten meal available from the starch factories should be earmarked for poultry feeding at an economic price and distributed through the State Animal Husbandry Department.

Most of the feed mills are located in big cities and towns. They draw their supplies of grains and grain by-products from rural areas and after the feed is mixed, it is sent back in the form of compounded feed to the areas from which the ingredients were collected. It will, therefore, be of economic advantage to decentralise the feed mixing activity and set up a small unit of grinders and mixers in the rural areas to enable the farmers or groups of farmers to get their feed mixed using locally available grains and bran. Depending on the demand, it may also be desirable to have grinders and mixers installed on trucks for extending grinding and mixing facilities to the farmers on predetermined dates. Being mobile, these can cover a large number of villages in the area.

Utilization of agricultural and industrial byproducts also offers scope for reducing the feed cost. Damaged food grains available from the central warehouses and docks to the extent of about 10000 tonnes per year are already in use. Silkworm pupae meal, though available in small quantities, is being used as substitute of fish meal. Sal seed oil meal is also being used at 5 percent level in poultry rations. There are a number of other such ingredients whose feeding value has not been fully determined through feeding experiments and research. It may be necessary to evolve cheap processes to remove the toxic materials for making the product useful for poultry feedings. I.C.A.R. may take up a programme in this respect on priority basis.

## Marketing support

With increased production in the rural areas, the problem of marketing is likely to show up as a limiting factor, unless suitable steps are taken to organise marketing cooperatives at the field level: State Marketing federations at the State level and the National Cooperative Marketing Federation for the country as a whole with Regional Branches at the four main consumption centres i.e., Delhi, Bombay, Calcutta and Madras.

Every State Government should set up a State federation either in cooperative or corporate sector which should assure the producers' cooperatives in the field that it will lift their entire surplus production and arrange to market the same through the help of the National Organisation to the best advantage of the producers.

Another pre-requisite for success in the programme of keeping the production cost low is the availability of good quality chick at a fair price.

This particular programme needs to be intensified so that the farmers can get the same production at a lesser cost. Government farms should undertake to supply the farmers cross breed birds which are noted to be hard, comparatively better disease resistant and equally productive.

There should be a suitable organisation to diagnose poultry disease quickly and to undertake effective disease control measures. For this it may be necessary to set up mobile disease diagnostic laboratories, one for each district, with a base laboratory at the district headquarters to which difficult cases can be referred to.

Each mobile unit should be adequately equipped for carrying out field investigation at the spot and should be headed by a disease investigation officer with required specialised training.

From poultry farming adopting intensive system of management, sizeable quantities of built up better manure are available at the end of each year. 40 birds produce about a tonne of litter manure which will be adequate to meet the fertiliser need of one acre of land. This aspect has not yet been properly publicised amongst the farmers and as a result they are not getting full value for the same. Through proper education and publicity, litter manure should fetch a higher return and thereby the production cost of eggs can be brought down. The State Agriculture Departments may initiate suitable programmes in this regard.

#### Fish Production and prices

(1) The level of production arrived at in the formulations for the Fifth plan should be ensured through adequate effort for the programme covered by the formulations. Particular emphasis is required to be placed on the new schemes of assistance for non-powered fishing and the schemes in the inland sector for fish seed production and Fish Farmers' Development Agencies.

(2) The cost of production should be reduced. It is possible to ensure this through selective capital subsidies as well as by providing suitable relief in important components of operational costs.

(3) Increases in prices, resulting from expansion of the market coverage for fresh fish, can be minimised by providing for manufacture of ice and marketing of frozen fish being suitably incorporated in public sector programmes.

These points are developed in more detail under the following headings:

- (1) Measures for ensuring targetted production.
- (2) Measures for reducing the cost of production.
- (3) Measures for improving distribution of fresh fish in chilled and frozen form.

#### Measures for ensuring production

So far as the level of production is concerned, it has been recommended that particular emphasis should be placed on the new scheme of assistance for non-powered

fishing. So far as mechanised coastal fishing is concerned, there is already a well established programme. It has been established that suitable schemes should be taken up in the State Sector. In view of the importance of this sector, the Central Government should also provide specific assistance for improvements in non-powered fishing under suitable schemes. It would be advisable to consider suitable relief in the case of mechanised boats fishing for internal consumption in the form of exemptions from duty on diesel oil to the extent of 50%.

#### Measures for improving distribution

- (1) Increased production of ice through the establishment of large ice plants;
- (2) Establishment of cold and frozen storages at production and marketing centres;
- (3) Introduction of rail vans for the movement of fish and frozen fish from production centres to large consuming centres;
- (4) Introduction of road vans (insulated) for movement of fresh fish over relatively shorter distances for movement of marine fish from coastal districts to the hinterland;
- (5) Establishment of processing plants for manufacture of diversified fishery products;
- (6) Strengthening of Fisheries Corporation both for production and distribution;
- (7) Provision of approach roads to fishing villages; and
- (8) Demonstration of fish handling with a view to improving the quality of cured fish.

The Fifth plan proposals envisage the initiation/strengthening of the above measures at an estimated cost of Rs. 24.70 crores.

#### Common clothing

In making recommendations for the adoption of scheme for supply of common clothing at reasonable prices it is necessary to avoid the drawbacks of the schemes implemented in the past. The experience gathered so far from the system of production, procurement and distribution of controlled cloth suggests that:

(1) the prices fixed for the controlled varieties of cloth in 1968 being uneconomic tend to inhibit the industry to reach the level of production voluntarily agreed upon by them;

(2) there is considerable demand for the controlled varieties of cloth, as is indicated by the demands placed by the various State Governments and their popularity in the areas where these have been distributed so far;

(3) a significant proportion of the controlled cloth is sold through Super Bazaars and fair price shops in cities and towns, which does not seem to reach the weaker sections of the population particularly in the semi-urban and rural areas;

(4) the lack of any specific instructions in regard to the types and width of controlled cloth that may be produced, has led to some imbalance in the categories of cloth as between their supply and demand;

(5) the proportion of the controlled categories to the total production of mill-made cloth which amounts to about 10% is inadequate to meet the total requirements of the weaker sections of the population; and

(6) the possibility of reduction in cost of production by reducing somewhat the varieties of cloth being produced by the mills, needs to be examined by a small team of competent technical persons.

The scheme for supply of common clothing must, therefore, aim at covering all the points listed above. Specifically, the recommendations are as follows:

(1) On the basis of per capita cloth consumption of people living below the poverty line, it has been estimated that in order to meet their full requirements by 1978-79 3040 million meters of cloth would be needed. At present 400 million meters of cloth is produced under the scheme of controlled cloth by the mill sector. The quantum of cloth to be made available under the scheme needs to be increased. The exact volume will have to be worked out after a decision has been taken on the broader issue of the obligation of the mill sector and the decentralised sector for production of cloth, for the different sections of the domestic market and also for export. The extent to which such a scheme can be effective will depend on the relative proportions of the different varieties of cloth. Clearly also, any scheme will have to take note of the need to maintain the health of the industry to make continuously increased production of cloth possible. In this context the role of the mills under the management of the National Textiles Corporation in meeting the requirements of common clothing will have to be clearly defined.

(2) The price of the varieties of the cloth required to meet the demand of weaker sections of society must be in consonance with their ability to pay. The prices of cloth in demand by the more affluent section of the society could be higher and could balance the lower prices of cloth produced for the weaker sections of the society. The prices of controlled varieties also could be subsidised partially by profits realised on varieties of cloth produced for the more affluent section of the society. The quantum of cloth produced for the two broad sections of the society could thus be determined in a balanced manner and prices could be adjusted keeping in view the ability to pay.

(3) The distribution system for the sale of controlled varieties of cloth should be strengthened with the object of bringing retail points within the reach of the people living in remote rural areas. The cooperative channels would appear to be the most suitable medium for the distribution. However, since it may take some time to organise and strengthen the cooperatives, other channels may also be pressed into service. Apart from licensed fair price shops, the mills should also be involved in organising retail outlets for their cloth. They may open their own retail shops on the clear understanding that they shall take full responsibility for the sale of this cloth from these shops at the fixed rates in a fair manner.

(4) In respect of the varieties of cloth included in the controlled categories, constant review will be necessary. A suitable balance must be maintained between the different items, namely sarees, dhoties, shirtings, long cloth and drill. It is possible that due to the margin of profit varying as between these items, there may be a shift from the less profitable to the more profitable item. This may cause hardship to consumers. It will be necessary to ensure that such imbalances do not affect the interest of consumers adversely.

(5) The quality of the cloth specified in the controlled

varieties will also need constant review. The cloth produced in the controlled varieties must not be of so inferior a quality that it loses its consumer appeal. Requirements of durability should be kept in mind while laying down these specifications.

(6) In order to provide suitable safeguards for consumers, especially in rural areas, against overcharging, selvedge printing of prices on every metre of controlled cloth should be ensured.

In this context it is understood that the Bureau of Industrial Costs & Prices has made a study recently and has submitted its report to the Ministry of Commerce which inter alia provides for revision of realisation multipliers. It would seem that if a fresh look is taken at the prices fixed for controlled varieties in accordance with the latest data, to a great extent the reluctance of the mill sector for producing varieties of cloth normally consumed by the vulnerable section of the society would disappear. It would, therefore, be necessary for the Ministry to take an early view on the report of Bureau.

As regards the distribution agencies, it is obvious that the success of the regulatory mechanism and the fulfilment of the objective of making available cloth at reasonable price to the poorer section of the population will depend largely on the nature and efficiency of the distribution arrangements. While sufficient powers exist at the Centre to regulate production and arrange procurement, detailed distribution arrangements will necessarily have to be made at the State level. The current situation in regard to the retail distribution of controlled varieties of cloth at the State level is generally far from satisfactory in most States. A combination of agencies would perhaps need to be organised for the purpose including, as far as possible, the cooperative sector and licensed by the Government. To this end, it would be necessary to work out, in consultation with the State Government, a suitable distribution machinery well before the extension of the regulatory measure beyond the present level.

### Standard Footwear

Footwear is an essential item of mass consumption. The term footwear connotes a number of items made from different raw materials, e.g. leather footwear, plastic footwear, rubber footwear, canvas footwear and combination footwear (rubber and canvas, plastic and canvas etc.). These items could, however, be broadly grouped in three major categories: leather footwear; plastic footwear; and rubber footwear. Leather footwear forms a large part of the total production in the country and is an important segment of the leather and leather goods industry.

In the context of making available the essential commodities of mass consumption at reasonable prices, the following considerations would be relevant:

(1) The demand for footwear in this country has some special features in as much as the varieties required are different in rural and urban areas and vary according to occupational requirements. However, a few standard types of footwear could be kept in view, which would be within reach of the common man.

(2) In the rural areas, the bulk of the demand would continue to be the popular and conventional types of hand made leather footwear viz. the Indian style shoes (jooti) or the



chappal, depending on the social requirements of the region. This demand could be met locally with assured supply of processed leather at reasonable prices. With the impending shifts in export pattern, the availability of processed leather could be ensured. To this extent, organisational arrangements for setting up leather processing centres have to be tied up on urgent basis. At the village level, an integrated programme of development of bonean leather industry has to be drawn up, so that by scientific utilisation of carcass, the byproducts which presently go waste could be extracted with advantage for economic use. This would make the village leather industry more economic and bring down the price of leather for footwear industry.

(3) As a long term measure, efforts should be made to popularise substitutes in the form of composite footwear with rubber/tyres and PVC soles. This would be necessary for conserving the use of leather in footwear. Such composite footwear would be cheaper and technically feasible for manufacture by the village artisans.

(4) In the urban sector the requirement would be to make available one or two common types of footwear—called 'Janata' shoes or chappals—at reasonable prices. These would have to be met by rubber, plastic or combination footwear to a large extent. Here again, a composite footwear with upper part of leather and the sole of rubber/plastic, would be of advantage.

(5) *As already pointed out, the problems faced by the footwear industry presently are inadequate supply of raw materials and absence of proper distribution and marketing arrangements. A beginning would need to be made by tackling the problems both at the production and marketing stages. In this context, the setting up of a few functional industrial(semi-urban/urban) estates for leather finishing, footwear and leather goods manufacturing units in concentrated areas would be necessary. Provision of common facility centres in each such estate would be required. The constituent footwear/leather goods units have to be modernised with semi-mechanised devices. Such organisational arrangement would also help solving the marketing problems presently felt by the small units. The production in the decentralised sector could be lifted for distribution through public channels. Such distribution would considerably result in reduction in the mark-up on account of special sales drive etc.*

(6) Concurrently, the production pattern in the existing units in the organised sector would be changed so as to include the production of common types upto a certain percentage and earmark them for sale through fair price shops, cooperative societies, super bazars etc. This would bring down prices considerably for the consumer.

(7) A system of discriminatory excise in favour of low cost footwear could be tried without affecting the revenues from the footwear industry.

#### Kerosene and Domestic Fuels

Fuels consumed in the domestic sector fall into two broad categories, namely, commercial fuels which are liquified petroleum gas (LPG), Kerosene, Electricity and soft coke and non-commercial fuels, namely firewood, charcoal, vegetable waste and cowdung. It is estimated that a little less than fifty percent of the requirements of the domestic

sector are supplied by the non-commercial fuels. Nearly eighty percent of the non-commercial fuels are obtained often without any private cost to the consumer. But it is to be emphasised that these fuels have a social cost. The cutting of the forest beyond the extent suggested for proper maintenance of forests affects the ecology and this has a social cost. Similarly, the cowdung which is used as fuel has a greater economic value when utilised as a manure. While a very large section of the population would continue to use non-commercial fuels because of their low private cost, a section of urban and rural population use commercial fuel only as substitutes when commercial fuels are either not available or sold at a relatively higher price. The short supply of commercial fuels especially to urban and to certain sections of the rural population would increase the pressure of demand on non-commercial fuels and increase their price.

#### Suggestions for Improving Fuel Supply

##### (a) Kerosene

It is noticed that the kerosene supply in urban areas has always been higher than in rural areas. This difference is only partially explained by the transport cost of removing kerosene from urban distribution centres to urban areas.

Even difference in prices appears to represent the price at which they ought to be sold and not the price at which kerosene is really obtained by small consumers who buy in very small quantities at a time. There is possibility of reducing this price differential between the rural and urban consumers by streamlining the distribution beyond the level of the distributor. Either a chain of consumer cooperative stores organised for distributing different essential commodities could be made the points of retail sale of kerosene or the Indian Oil Company could organise a more effective system of rural distribution through licensed mobile vendors. It is worthwhile considering the maintenance of motor driven mobile kerosene pumps to cover a number of villages according to a well publicised schedule.

The organisation of consumer societies might be time consuming. As a short-term remedy, recognised kerosene dealers could be licensed at different rural centres and the prices at each point of sale fixed by invoking the powers available to the State Governments.

The refining capacity of 36m. tonnes per year of crude refining suggested by the Fuel Policy Committee is adequate to provide kerosene to the extent of the needs of the domestic sector. However, the demand for kerosene and diesel oil in 1974 and 1975 cannot be produced from the existing refining capacity and some imports of either kerosene or diesel oil will have to be arranged. Government have taken adequate measures to import the kerosene requirements upto 1974. If such imports are also arranged for the first three years of the Fifth plan period there will be no shortage of kerosene. The demand for kerosene at different urban and rural centres will have to be assessed on a very realistic basis and the distribution programmes given to the oil companies. Currently, the distribution programme is mostly controlled by the oil companies. There is need for greater consultation with the local authorities in determining the distribution pattern. As the prices of kerosene and diesel oil products are at par, there is no need to apprehend possible misuse of



kerosene at a large scale and dispatches to the consuming centres will go to the domestic consumers only.

We should, however, note that there is need for vigilance to prevent diversion of kerosene for adulteration, in somewhat small percentages with petrol; colouring of kerosene coupled with supplying petrol as a transparent liquid would to some extent enable detection of such diversion.

#### (b) Softcoke

As already mentioned, softcoke is traditionally consumed in large quantities only in the States of West Bengal, Bihar, U.P., Delhi, Harayana, and Punjab and that too mostly in the urban areas.

In order to curb prices, it is necessary first to control the prices at pit-head and secondly to arrange for a reliable distribution system. The cost of production was rising not merely because of increase in wages but due to number of other factors, which can now be brought under control after the take-over of the management of all coal mines in the public sector. Softcoke used as domestic fuel constitutes less than five percent of total coal production. Coal of different categories has to be priced differently and the coal price policy should ensure that soft coke prices at the pit-mouth are maintained at a reasonable level and retained at that level without frequent fluctuations. The price increase in softcoke at the producer level in recent times has been quite large. The Public Sector Coal Mines Authority and Bharat Coking Coal should now be directed to determine a reasonable price and maintain the prices for one year at a given level.

The price of soft coke at the retail level is built up of the following elements:

1. Producer price of soft coke.
2. Handling and transport to the centres of consumption.
3. Margins to middlemen who arrange for supplies from producers to wholesalers.
4. Wholesaler's margin.
5. Retailer's margin.

Taking the current producers prices and adding handling and transport costs, the delivered cost of soft coke at Calcutta and Delhi would be about Rs 93 and Rs. 121.50 per tonne respectively while the retail prices are Rs. 120 and Rs. 175 per tonne. The middleman's margin in this is over 30% in Calcutta and 45% in Delhi. Holding the price line of softcoke is possible only if we reduce number of agencies through which the commodity passes. The various middlemen tend to increase their margins whenever the commodity is in short supply.

The main reason for rise in prices of softcoke has been the frequent shortages of soft coke. These shortages are mainly due to lack of Railway wagons for despatching the commodity to consuming areas. As this is a very heavy commodity, its movement is primarily through rail transport.

1. The quantity despatched has always lagged behind the quantity produced;

2. The quantity produced itself has been falling. It is presumed that the falling production is due to the sagging despatches. While as a long term measure transport capacity should be enhanced, it would be essential to immediately accord higher priority to the movement of soft coke for domestic

purposes in railway movement priorities.

The only solution to the problem is to charge the public sector coal companies with the responsibility to produce adequate soft coke, carry it to the major centres of consumption and operate soft coke dumps in those places. We should first concentrate on the six States viz. West Bengal, Uttar Pradesh, Delhi, Harayana and Punjab to begin with and to ensure enough supplies in those regions. For making an estimate of the requirements of softcoke, it would be sufficient if attention is concentrated on the urban areas of these States, which consume about 75% to 80% of all the soft coke produced in the country. Even in the urban population there are large sections which do not use softcoke either because they are economically unable to afford even the soft coke or prefer more sophisticated fuels. Therefore, to the requirements of soft coke we have assumed that only fifty percent of the urban population in these States would be using soft coke. On the basis of data available, it is assumed that the requirement of softcoke would be 12kg per head per month during the winter months of November to March.

The most optimistic programme of soft coke distribution would call for production of 3.5 million tonnes of softcoke to be distributed in the six northern States. The Fuel Policy Committee had suggested a target of 7 million tonnes (in terms of raw coal) of softcoke for the year 1978-79. Considering that the production in 1969-70 was 3.2 million tonnes, this is not a difficult target to achieve. So the public sector organisations must gear themselves for a steadily increasing target of production which would reach 6 million tonnes by 1978-79. This is a feasible production target.

The movement of 6 million tonnes of coke would require 750 standard wagons per day. This is also not a difficult task if the railways are given notice and asked to prepare for fulfilling this. Meanwhile, the public sector organisations must select suitable sites for setting up dumps from where wholesale distribution could be arranged. Simultaneously, the State Governments must take over the responsibility for organising the distribution from the dumps to the consumer through suitable agencies. From the anxious inquiries regarding softcoke despatches made from different states, it is clear that the State Governments would accept the task.

As the current shortages have led to a lot of speculation in softcoke, it is desirable to undertake some urgent counter speculation measures. Setting up of softcoke dumps at selected centres like Delhi, Allahabad, Varanasi, and Calcutta where certain quantities like 50,000 tonnes in Delhi and 20,000 tonnes in the other cities are first procured by moving soft coke from Bengal Bihar by trucks and keeping them under Government control to be unloaded in times of shortages, will ensure prices being maintained at a reasonable level. The cost of softcoke at the dump will be somewhat higher due to the difference between cost of transport by road movement and rail movement from Bengal-Bihar to the different cities. The suggestion here is not to subsidise the whole amount but to fix the sale price at each dump as a ceiling price which would be somewhat higher than the prices of soft coke moved by rail. Whenever the local price exceeds the ceiling price, the operation of these temporary dumps will contain the prices below the fixed ceiling level.

## Other fuels

The long term and short term policy measures suggested above to curb the price of kerosene oil specially in the rural areas and to encourage the use of the soft coke not only through price reduction but also through better distribution system encourage the consumers to substitute these fuels for other non-commercial fuels. This, to some extent, would have salutary effect on the price of firewood. However, a scheme which deserves much greater attention is the popularisation of gobar gas plants to take the heat values as well as nutrient values from dung. This has been popularised by the Khadi and Village Industries Board; but its success is dependent entirely on the organisational abilities at the field level and the scheme has succeeded partially in Gujarat State only. The Fuel Policy Committee has recommended that this should be given greater encouragement. A more sincere attempt to popularise gobar gas plants would decrease the demand for forest fuels by diverting more cowdung to domestic use without affecting its use as manure.

## Common Drugs and Medicines

The common drugs and medicines have been identified by the working group set up by the Ministry of Health as indicated below:

### Anti-Infectives

1. Injection of fortified Benzyl Penicillin p.p(Procaine Benzyl Penicillin 300,000 units, Benzyl Penicillin 100,000 units).
2. Injection of streptomycin Sulphate and penicillin (Procaine Penicillin 300,000 units and streptomycin sulphate 1/2 gm).
3. Chloramphenicol capsules( 250 mg) 125 mg.
4. Tetracycline capsules (250 mg).
5. Tablets Sulphadimidine(0.5 mg).
6. Tablets Sulphaphenazole B.P.C. (500 mg).

### Anti Tubercular Drugs (through National Tuberculosis Control Programme)

7. Tablets Thiacetazone and Isoniazid, each tablet to contain Thiacetazone 37.5 mg. B.P.C. and Isoniazid 75 mg I.P
8. Tablets Sodium Aminosalicylate 500 mg.
9. Injection of Streptomycin 1 mg.

### Anti-Leprosy Drugs (through National Leprosy Control Programme)

10. Tablets of Dapsone (100 mg).

### Analgesics Hypnotics and Sedatives

11. Tablets Acid Acetyl salicylic I.P (0.3g).
12. Syrup Paracetamol ( 125 mg. in 5ml).

### Anti-Amoebic and Gastro-Intercological Drugs

13. Tablets Iodo-chlor-hydroxy quonoline(0.25g).
14. Tablets Chloroquine sulphate 0.2 g. or tablets Chloroquine Pphosphate 0.25 g. I.P.
15. E.P. Citrate I.P.(750 mg. in 5 ml).
16. Bephenium Hydroxynaphthoate Granules (2.5 g in 5 g granules).

## 17. Sulphaguanedine Tablets.

### Drugs for the eye and National Trachoma Control Programme

18. Tetracycline Ho ointment 1 % in sterile ointment base.
- Drugs used in Anaemia(through family planning) Ferrous sulphate and folic acid tablets (Department of Family Planning's formula).

### Anti-Malarial Drugs( through N.M.E.P)

20. Primaquine Diphosphate tablets(2.5 g of primaquine base).
  21. Tablets of Pyrimethamine Sulphate, equivalent to 25 mg of Pyrimethamine.
- Anti-Filarial Drugs(through N.F.C.P)
22. Diethylcarbamazine citrate tablets 50mg.

### Antacids

23. Magnesium Trisilicate compound (Mag. Trisilicate 0.3g., Aluminium Hydroxide 0.3 g, glycerin 60 mg).
24. Gripe Mixture for infants 5 ml contain Dill oil B.P.C. 0.005 ml; sodium Bicarbonate I.P.O. 05 g Dehydrated alcohol I.P.O 0.248 ml; Syrup & Preservative).

### Anti-Tussive and Expectorants

25. Diphenhydrammine expectorant syrup (each 5 ml contains diphenhydramine Hcl 13.3 mg. Menthol 0.9mg. Sodium citrate 56.6 mg; Chloroform in flavoured syrup 0.22ml).

### Anti-Asthmatic Drugs

26. Anti-asthmatic tablet containing Ephedrine Resinate 123 mg., 50 mg. ephedrine Hcl; Theophylline 65 mg; and Phenobarbitons 30mg.

### Drugs Acting on the Skin

27. Benzyl Benzoate Emulsion 100 ml. contains Benzyl Benzoate 25 mg; Emulsifying wax 2 g; Demineralized water q.s.).
28. Whitfield's Ointment (Benzoic acid 6g; salicylic acid 3g; alcohol 70% upto 100g).
29. Nitrofurazone Ointment (0.2% in non-greasy ointment base).
30. Potassium Permanganate 5 g. packets.

### Antiseptic Detergents & Dressings

31. Chloroxylanol Solution (Chloroxylanol 4, 25% : Terpinol 9.6% Absolute alcohol in water 13.10%).
32. Iodine Solution (Cladium solution) for sterilizing raw catgut; loops and loop introducers (Iodine 1.5 g; Distilled water to produce 100 ml).
33. A. Plaster of Paris Bandages, B. Adhesive Plaster.

### General Anaesthetics

- Ethyl Chloride (100 ml.spray).

## Drugs Acting in Ear

35. Boric acid-alcohol-Glycerol drops (Boric acid 1.5%); Glycerol 3.3% in alcohol 95% 10ml

## Vitamins

36. Capsules of Vitamins A6000 Units and Calciferol 1000 Units.

37. Injection of Vitamins B1, B6, and B12 (Neurotropic).

## Emergency Drugs

38. Injection of Nikethamide I.P.

39. Antivenom Serum (Polyvalent).

40. Rehydration fluid (for treatment of cholera cases).

41. Tetanus anti-toxin (1,500 I.U./10,000 I.U./20,000 I.U./50,000 I.U.).

42. Injection of Adrenalin Hydrochloride 1mg in 1 ml.

43. Bleaching Powder

44. Phenyl

45. Pot. Citrus

46. Soda Bicarb

47. Tr. Belladonna

48. Tr. Card Co.

49. Soda Salicylics

50. Acid Boric

51. Glycerine

52. Paraffin Mollie Flavum.

Keeping in view the additional predication that should be attained by utilisation of idle capacities by existing units or by setting up new units in the private sector, Ministry of Petroleum and Chemicals may examine whether any addition is needed to the product mix proposed for the public sector drugs production programme of the common drugs and medicines.

A Technical Group should be set up to examine the most economical packing required for various types for formulations.

(i) The primary channel of distribution of common drugs and medicines will be through the hospitals and the health centres.

(ii) Co-operative sector should be involved more and more particularly in the rural areas in the distribution.

(iii) The public sector undertakings should take steps to develop their own retail distribution system.

(iv) The doctors allowed to practice under Government rules may also be encouraged to stock and sell these common drugs but with the stipulation that they will not charge prices higher than those prescribed.

Ministry of Health may examine suitable relaxations in licensing for drug sellers in the rural areas.

The common drugs and medicines should be sold under pharmacopoeial names and all retailers should be required to stock these drugs.

Suitable restrictions should be laid on pharmaceutical advertising.

Well organised quality control laboratories may be established at suitable locations to serve groups of small scale drug units in various areas.

A watch should be kept to ensure adequate availability of major raw materials for production of drugs.

## Bicycles, Bicycle Tyres and Tubes

(i) Complete bicycle of a suitable design, reasonable quality and price would need to be selected out of the range of bicycles presently being manufactured and the production pattern of each unit should be so evolved as to ensure a minimum percentage of production of selected brand. This may be identified as the Janata Bicycle. A large production programme of this type in each unit might increase the utilisation factor and bring down cost.

(ii) The cost of the various components and accessories would, to a significant extent, determine the cost of a complete bicycle. The manufacturing costs of major items like tubes being produced by a limited number of firms, would require to be gone into with a view to reducing the prices charged to the bicycle manufacturers.

(iii) As regards sale of the cheaper models through a chain of fair price shops or cooperative agencies along with other articles of mass consumption certain relevant factors have to be borne in mind. The buyers would require facilities like availability of accessories, repairs etc. The present pattern of retailing clearly brings out the utility of self-contained and functional bicycle shop. It would be prudent to use the existing outlets for marketing the Janata cycle.

(iv) Regarding long term programme it is recommended that programmes for incorporation of devices like the 3 speed gears, improving the mechanical efficiency etc. may be drawn up in association with agencies like the CMERI, Durgapur.

The attempts on the part of Government to effect reduction in the price of tyres/ tubes manufactured in the organised sector in the past have been resisted by the small units, since at a lower price the small unit would be worse off.

There does not seem to be any scope for reducing the price of bicycle tyres/tubes for the consumer. The quality of the produce in the small scale sector would need to improve and, to this end, technical assistance from the large units appears necessary. A sizeable part of the preferred brands could be earmarked for original equipment and export, so that the small scale producers find a ready internal market. Imposition of higher excise duty on the preferred brands could also be considered.

## Safety Matches, Dry Cells and Hurricane Lanterns

### Safety Matches

The following short-term and long-term measures are suggested for ensuring availability of safety matches at reasonable prices:

(i) Production of safety matches in the cottage sector would be reorganised through a chain of workers' cooperatives.

(ii) Steps may be taken to increase the productivity of safety matches per man-hour by introducing processes in the small/cottage sector.

(iii) New units for the manufacture of important intermediates like red phosphores, potassium chlorate etc., should be set up near the consuming centres.

(iv) Distribution of safety matches should be increasingly organised through cooperative channels in association with the National Consumer Cooperative Federation.

## Dry Cells

The short-term and long-term measures as indicated below may be considered for ensuring supply of dry cells at reasonable prices:

(i) A portion of the production should be reserved for marketing through a chain of fair price shops.

(ii) There is need to restrict the advertisement costs to the minimum.

(iii) As a measure to ensure quality of the product, stamping of the date of manufacture and the retail price on the cell should be compulsory at the retailing points.

(iv) As long-term measure, Bureau of Industrial Costs and Prices may be requested to undertake a study of the cost structure of the industry and make suitable recommendations.

## Hurricane Lanterns

Despite the progress in electrification, hurricane lanterns continue to be in demand, especially in the rural sector. Even at the beginning of the First Plan, the industry had a rated capacity of 4.3 million lanterns and in the first two plan periods the development of the industry was mainly in the organised sector. With reservation of further predication in favour of the small sector, the capacity of the small sector has reached a level of 6.9 million and production 3.0 million lanterns. The total capacity for hurricane lanterns as at present is of the order of 10 million nos. There is no unsatisfied demand and any increase in demand could be taken care of with the existing capacity. The average ex-factory price is about Rs.5 per lantern.

Although the quality of indigenous hurricane lanterns has improved over the years, there is considerable scope for improving the construction, finish and performance so as to improve the efficiency both in respect of the light produced and the kerosene consumption. The Fuel Research Laboratory might undertake the necessary study on design, improvement and economy on fuel consumption.

## Soaps and Detergents

(i) Broadly, the organised sector's present production is about 100,000 tonnes/ year of toilet and carbolic soaps and 20,000 tonnes/ year of laundry soap. The small scale sector produces only laundry soap to the extent of 350,000 tonnes/year. The projection for required soap and detergents production by 1978-79 results in an estimated production level of 9.9 lakh tonnes and 220,000 tonnes of detergents by 1978-79. With the availability restrictions on raw materials, the total soap production may have to be restricted to 7.9 lakh tonnes and the detergent production level has to increase correspondingly taking the total to 355,000 tonnes by 1978-79.

(ii) Increase in soap production is restricted by the availability of oils and fats. The current level of tallow imports and usage at least be maintained in order to meet the soap targets for the terminal year of the 5th Plan. It will be necessary to increase the import of tallow as also to divert some proportions of minor edible oils to the manufacture of soap or to substitute soaps to a great extent, by synthetic detergents.

It is understood that the Government has recently enhanced the level of excise rebate on the use of minor oils for soap making. The impact of this has to be carefully watched and, if necessary, further incentives may have to be considered to encourage the use of minor oils in a really big way.

(iii) Fatty material content could also be lowered in case of utility of soap to bring it at par with that of carbolic soap so as to make available cheaper utility soaps. For bringing down the prices of soaps, it may be necessary to curb expenditure on sales promotion and packing. The feasibility of establishing a large sized unit preferably in the public sector for manufacturing standard Janata soap with less fatty material, no perfume and with simple packing should be examined as such a unit could go a long way in making available soaps to the poor sections of the society at relatively cheaper prices. The soap meant for consumption of the weaker sections could also be exempted from excise duty.

(iv) Apart from maximising the use of minor oils, it is necessary to lay proper emphasis on the increased production of oilseeds particularly those with high oil contents like sunflower oil, so that the total demand supply position becomes easy and oils are available to the soap industry at competitive prices in the adequate quantities.

(v) The increased production of soap in the Fifth Plan will largely be in the small scale sector. This soap available at comparatively lower prices and increase in production of soap by small scale sector would result in making larger quantities of soap available at cheaper prices to low income groups.

(vi) Substantial capacities for production of detergents have been recently licensed. These units are likely to go in production during the Fifth Plan period. The inter-firm competition and intensive marketing in limited areas should normally reduce the price level of detergents to significant extent. It would be necessary to watch this development and assess after the production has been stabilised whether any formal measures are necessary to bring down the prices of detergents to make these within the reach of common man.

## Text Books and Stationary

Over the years, enrolments in all types of institutions have grown at a very fast rate. In 1973-74, for example, nearly 100 million students would be on roll in various types of educational institutions. During the Fifth Plan educational facilities are expected to be provided for another 27 million students. This will lead to an increasing demand for text books and stationary. Further as the education level of the population rises, the demand for various types of books will also increase. Educational facilities are now being increasingly availed by the poorer sections of the population, for whom education offers the major means of onward social and economic mobility. If their efforts to educate themselves are not handicapped text books and exercise books need to be made available to them at reasonably cheap rates. -In a sizable number of cases these would have to be provided free by the State. The cost of the books and stationary required varied from Rs.5 in class 1 to Rs. 50 in class 10. Shortages are common in the supply of text books and note books.

The text book occupies an important place in the teaching-learning process particularly at the school stage

where, even though the teacher may be able to teach on the basis of his knowledge, the text books provide a logical framework by systematic organisation of the subject matter. Even at higher stages of education, its utility in providing material which is relevant to the user, a base from which the student can further explore and arrangement into which newly acquired knowledge can be fitted, is great. In the Indian conditions, where there is limited availability of easily accessible libraries, of relevant reading material and various audio-visual aids, the text book assumes a crucial role in the education of the student.

### Cost Structure of a Text Book

The cost of a text book is determined by the expenditure incurred on its production and distribution. In the former are included the expenditure incurred on the preparation and review of the manuscript (including remuneration to author), cost of paper, printing, binding and stitching. The latter include storage and transportation charges, commission to wholesalers and retailers etc. Profits are also an important element in the cost of text books produced by the private publishers. Paper accounts for 50-60 per cent of the cost of a text book. The availability of text books on cheaper rates depends substantially on the extent to which paper can be made available at reasonable prices. Frequently the publisher is driven to purchasing paper at exorbitant rates. Any measures, which will ensure the supply of paper to publishers of text books at cheap rates, will help in reducing the cost of books. A number of measures will need to be adopted for the purpose. The supply of adequate quantities of printing paper for publication of text books has to be ensured; the paper must be available in time; measures helping to reduce the cost of paper will require to be adopted.

### Demand and Supply of Paper

The Task Force on Paper, set up by the Ministry of Industrial Development has, in its draft report, projected the demand of different varieties of paper for the Fifth and Sixth Five Year Plans to be as under:

Type of Paper	Estimated Demand (lakh tonnes)		
	1973-74	1978-79	1983-84
(a) Cultural Paper:			
(i) Printing	3.40	4.95	6.80
(ii) Writing	1.70	2.50	3.40
(b) Industrial Paper:			
		Estimated Demand (Lakh tonnes)	
	1973-74	1978-79	1983-84
(i) Craft and Brown Paper	1.60	2.50	3.50
(ii) Others	0.75	1.00	1.50
(c) Paper Board:	1.55	2.35	3.40
Total:	9.00	13.30	18.60

The demand for all types of paper is expected to grow from 9 lakh tonnes in 1973-74 to 13.3 lakh tonnes at the end of the Fifth Plan and of cultural paper from 5.10 lakh tonnes to 7.45 lakh tonnes during this period. Cultural paper will constitute 55-56 per cent of the total demand for paper.

The National Council of Educational Research and Training has estimated the requirement of paper for nationalised and non-nationalised school text books to be of the order of 86,587 tonnes. Including in this the paper required for publishing books for neo-literates, low income literates with matriculation, university level books and other general books, the Working Group on Paper Requirement for Education has estimated the demand for paper for educational purposes to rise from 1.91 lakh tonnes in 1973-74 to 3.05 lakh tonnes in 1978-79. Of the requirement of paper in 1973-74, 0.63 lakh tonnes are estimated to be required for exercise books. The break up of the requirement of paper for various purposes is indicated below:

Purpose	Demand (1973-74) (Lakh tonnes)
i) School Text Books	0.886
ii) Out of school (neo-literates and school leavers etc)	0.216
iii) University level books, general books, trade books etc.	0.196
Total:	1.278
iv) Exercise books	0.630
Grand Total:	1.908

As indicated below the estimated production of paper (excluding newsprint) has increased from 6.16 lakh tonnes in 1968 to 8.25 lakh tonnes in 1972. Of this about 50-60 per cent is accounted for by cultural paper.

Year.	(Lakh Tonnes)		
	Paper production (excluding Newsprint)		
	Total	Cultural	Industrial
1968	6.15	3.94	2.21
1969	7.07	4.15	2.92
1970	7.58	4.45	3.13
1971	7.81	4.64	3.17
1972	8.25	5.00	3.25
Percentage Increase during 1968-72	34	27	46

The figures for cultural paper include poster paper which is primarily used for packing and wrapping. Excluding this, the proportion of cultural paper to total production of paper drops from 60 per cent to 56.3 per cent.

A significant point which needs to be noted is that the production of industrial paper, when compared to that of cultural paper, is increasing at substantially higher rates. Paper mills find production of industrial paper more profitable; unless this trend is halted, there is a danger that, because of the higher prices that it fetches, paper industry may switch over to increasing the production of industrial paper, which will adversely affect the production of cultural paper. The suggestion made in the meeting of the Ad-hoc Committee on Paper Industry held on November 30, 1971 in the Ministry of Industrial Development, that the production pattern which

has been showing a downtrend in respect of consumer varieties of printing and writing paper should be restored by the paper industry to the percentage level of 1967-68, needs serious consideration on the part of the Ministry of Industrial Development. Although the major means of ensuring this would be that of making the production of cultural paper remunerative enough for industry, the Ministry may consider adoption of some regulatory mechanism for this purpose.

The figures for production and demand of paper seem to indicate that the supply position of cultural paper is fairly adequate. For, against a requirement of 1.91 lakh tonnes of cultural paper estimated for 1973-74 for educational purposes, the production of cultural paper is expected to be 51 lakh tonnes in 1972. The production of this type of paper in 1972 was also substantially higher than what the Working Group has estimated to be the requirement of paper for educational purposes in 1978-79, viz. 3.06 lakh tonnes.

It must, however, be recognised that educational institutions are not the only users of cultural paper. The Government, trade and commerce, etc, also use cultural paper for various purposes. It is, for instance, estimated that in 1968 out of a production of 415,000 tonnes of cultural paper 213,000 were used for non-educational purposes; this included the use of cultural paper by the Government, private consumer and newsprint and for export. Since 1971, the use of cultural paper by newspapers has been stopped; this has increased the supply of this variety of paper for educational and other purposes by about 28,000 tonnes. Cultural paper is also being used for election purposes, such as for printing posters and election manifestoes. Although there does not appear to be any apparent shortage of the type of paper required for text books and exercise books, there is need to undertake studies to determine its actual availability.

The availability of paper for text books may also vary in different States. It was, for instance, indicated in the meeting of the Ad-hoc Committee on Paper Industry that:

"The States in which a paper mill was situated were reported to be pressurizing the mill for such paper for nationalised text books and usually managed to get it. It was only the States which had no paper mills within their jurisdiction that were facing real difficulty".

The statistics of paper production, as they are reported, do not help in determining the extent of availability of paper of the type required for text books and exercise books. The statistics are available in terms of weight. It is possible that the total production of paper in terms of tonnage has increased, there is a shortage of low grammage paper which is generally used for text books. It is, therefore, necessary that paper production is reported both by tonnage and by grammage. The Ministry of Industrial Development should compile and report regularly the statistics in the form which will help in determining the shortage, if any, of those varieties of paper which are used for the production of text books.

The demand for cultural paper, particularly the varieties required for school and college text books of general interest and exercise books is bound to grow with the expansion of educational facilities and the general upgrading of the educational level of the population. It is, therefore, essential that the availability of cultural paper especially of low grammage is increased. A number of measures are called for:

1) The private paper mills must find it profitable to produce cultural paper. It is understood, for instance, that

the inadequate supply of paper to Government is partly because the paper mills do not find the D.G.S&D rates remunerative enough for supplying the required quantities of paper. The attempt to enforce unrealistic prices is bound to lead to various types of malpractices.

2) The Government may consider establishing paper mills in the public sector for the production of low grammage paper. This paper could be supplied to the agencies responsible for the production of text books.

3) The production proportion, 60 per cent cultural paper and 40 per cent industrial and other varieties of paper, should be enforced on the private sector mills.

The setting up of a paper mill requires large investments. There is also the problem of obtaining the necessary raw material in adequate quantities. It is, therefore, important that, while increasing the availability of cultural paper, a simultaneous effort is made to ensure the optimal utilisation of the existing supplies, particularly by limiting their use to essential needs. The absolute demand for paper should be reduced. A number of measures are called for in this connection:

1) The use of writing paper should be discouraged in classes I and II of the primary stage; the old practice of using slates and 'takhtis' must be revived and made obligatory in all schools.

2) To prevent wear and tear, the feasibility of retaining in school the text books used by classes I and II and giving them to the children for use during school hours, must be considered. A beginning could be made by retaining the text books which are distributed free for the needy children. In order to ensure that they last for a specified number of years, these books should be properly stitched and bound. The stitching and binding of books can be taken up as a work experience programme; the institutions may be provided grants for purchase of necessary equipment for the purpose.

3) The frequent revision of text books should not be undertaken before five years.

4) The discarded books and notes should be repurposed for the manufacture of card-board. This can be undertaken as a work experience programme in many schools and colleges. If found feasible and profitable, efforts should also be made to set up at the district level appropriate arrangements for the collection of discarded books for recycling purposes. This problem requires to be studied in detail by the Ministry of Industrial Development who may discuss this with interested paper mills.

Cultural paper is also used for the production of cheap notes and keys which the students generally study instead of the recommended text books. Although no precise statistics are available about the quantities of cultural paper consumed for their production they are bound to be sizable, considering that these notes have a flourishing market. The estimates of demand for cultural paper do not take these into account. In order to increase the availability of cultural paper for text books and other literature ways and means have to be found to discourage the use of notes by the students. The major efforts should have to be at the educational front, involving, among others, the improvement of instructional programme, reform of examination and evaluation procedures, establishment of books in educational institutions, arrangements for coaching of students and so on. The cooperatives authorised retailers and so on, can also discourage the prac-

tice of some booksellers insisting that a student purchase a key or note along with a text book.

1) While every effort must be made to be self-reliant and meet the demand for cultural paper from indigenous sources, it may be desirable to procure this paper from foreign sources as a short-term measure. Till domestic production increases to the extent of meeting fully our needs of cultural paper, the policy of judicious import of paper will prevent the paper industry from creating artificial scarcity and consequent escalation of prices.

2) The Government may consider earmarking 10 per cent of the earning from book exports for import of popular varieties of cultural paper of low grammage. The import of this paper could be canalised through the State Trading Corporation who could allocate the paper thus imported to State and Central Government organisations for the printing of text books and other inexpensive literature.

3) The current percentage of import replenishment to exporters of books may be increased from 35% to 50%. Finally, book publishers publishing paper backs, non-illustrated text books, etc., may also be allowed to import newsprint against their actual demand; such imports could also be canalised through State Trading Corporation. These measures are likely to reduce the pressure on domestic paper.

### Timely Availability of Paper

The production of text books is a time bound programme. Text books have to be printed and made available to the distributors well ahead of the beginning of the academic session. The non-availability of text books in time leads to justifiable public protest. If for any reasons the publishing agencies are not able to obtain in time the required quantities of paper from mills, they have to make open market purchases and often pay higher prices which inflate the cost of text books. Arrangements would have, therefore, to be made for the timely supply of paper to publishing concerns. An essential prerequisite of the measures that can be taken to ensure this, is the correct estimation of the requirements of paper over a period of time. The States, who have taken up the publication of text books, should establish appropriate arrangements for making future forecasts of their paper needs. At the national level, the Publication Department of National Council of Educational Research and Training would need to be reorganised with a view, among other things, to (a) coordinate the State estimates of paper requirements; (b) function as a clearing house organisation for the States; (c) help the States with the methodology of forecasting; (d) promote regional cooperation among various states in the procurement of paper and in the production of text books; and (e) negotiate with paper industry for the supply of requisite quantities of paper. Once the overall estimates of paper have been made, they can be communicated to the Ministry of Industrial Development who can approach the paper mills for the supply of requisite quality and specifications.

The text books produced in one State may be purchased by students of another State. This is happening particularly in states which have adopted the text books prepared by the NCERT. In States where the medium of instruction is similar, joint production of text books in a number of subject areas can be undertaken on a still wider scale. Under such a

system bulk printing of text books can be undertaken, which will help in reducing the prices that the parents have to pay. Avenues for regional cooperation must, therefore, be explored. Such arrangements will also help in estimating the paper requirements and procuring it in bulk on favourable terms. The Ministry of Education and Social Welfare should examine these possibilities in consultation with the State Governments.

One of the important means of ensuring timely supply of paper would be to create adequate buffer stocks of paper by the publishing agencies, particularly in States where no paper mills are located from whom paper can be obtained at a relatively short notice. This would require the establishment of storage facilities at a strategic point. Such storage facilities would help the publishing agency to have a measure of control over its production plans. It is suggested that, in the first instance, storage facilities should be established in the three regional text books printing processes, established by the Government of India in Chandigarh, Bhubaneswar and Mysore. The ultimate aim should be to build storage facilities near all the nationalised presses. Appropriate programmes for the purposes would have to be included in the State Plans.

### Reducing the Cost of Paper

While bulk purchase of paper at DGS&D or mill rates will reduce the cost of paper, a number of other measures are required to be adopted for reducing the cost of cultural paper, and indirectly that of the cost of text books. The recommendation made by the National Board of School Text Books that the State and Central Governments should exempt from excise and other duties the paper purchased by text book publishing agencies, require to be examined. The point at which this exemption can be granted will have to be examined carefully by the Ministry of Education and Social Welfare in consultation with the Ministry of Finance. Since it is also used for non-educational purposes such as by trade and commerce a blanket exemption from various duties of the cultural paper will also benefit those whose activities need not be subsidized by the Government. The Ministry of Education and Social Welfare may also consider giving aeral subsidy to text books publishing agencies for the purpose of paper. This would be a method by which the cost borne by the parents for purchase of text books can be reduced.

### Printing of Text Books

All the States have nationalised in one form or another the production of school text books. The text books are produced either directly by the Department of Education or through some statutory corporate or autonomous agency. Generally, three systems are in existence: (a) production under a corporation established under the Indian Companies Act, (b) Production under a society registered under the Indian Societies Registration Act and (c) production under the direct control of the State Education Department. The Government takeover of the production of the text books has not only improved the quality but also reduced the cost of the books. Among the reasons for lower price of nationalised text books, the important ones are: since only one text book is to be read by all pupils in a particular class throughout the

State, the production is on a large scale and consequently the cost of the production is low, the profit motive which is partly responsible for the higher cost of approved and recommended text books is not there, etc.

The State production of text books does not, however, extend either to all text books on all the subjects or to text books for all grades. Andhra Pradesh is the only State which has nationalised text books in all subjects for the entire school stage except the non-detailed text books in languages. On the other extreme is Gujarat which has nationalised text books (from 1970 academic session) for class V only although there are departmental books for earlier classes in the State. Similarly, in West Bengal, while the nationalised text books are available for classes III to V, for earlier classes the books are not nationalised. In Tamil Nadu, although the nationalised text books are available from class I, this is confined to languages text books in Tamil and English only. In other States, however, nationalised text books are available from the beginning of the school stage, although text books in some subjects for some classes may not be those produced by the nationalised agency but may be departmental or at a later stage prescribed by the Board of Secondary Education or University. In the interest of both, improving the quality as well as reducing the cost of text books, State production of text books needs to be expanded so as to cover all subjects and all the classes.

Because of the inadequate printing facilities for the printing of text books, the State Governments have often to get the nationalised text books printed in private presses; in such cases the specifications under which the text book is to be printed are laid down in advance by the Department. Only in Andhra Pradesh and Tamil Nadu all nationalised text books for the primary stage are printed at the Government presses. In Orissa nationalised text books for the primary stages are printed at the Government press whereas text books for middle and secondary stages produced by the Board of Secondary Education are printed both in Government as well as main private presses. In Kerala also, where all the text books (except non-detailed ones) have been nationalised, most of them are printed at Government presses; for those that cannot be printed in these presses the covers are printed in Government presses. In Assam, Gujarat, Jammu & Kashmir, Nagaland, Rajasthan and West Bengal, the entire job of printing of nationalised text books is entrusted to private presses. In Uttar Pradesh, the publishers who are allotted the text books for publication get them printed in private presses. The covers are printed in the Government presses as well as in private offset presses. In the remaining States of Haryana, Madhya Pradesh, Maharashtra, Mysore and Punjab and in the Union territory of Delhi printing is done both in Government as well as in private presses. Where the books have to be printed in private presses, the Government loses some control over maintaining the schedule, ensuring that only the required number of books are printed and so on.

There are nearly 30,000 printing presses in the country. About 90 per cent of them are small scale units employing 5-10 persons. They accept small jobs which do not involve large scale setting of the matter and which do not demand any special kind of layout or a particularly high standard of printing. The number of large scale printing establishments is still small—about 100-150 in the country. Most of them are concentrated in big cities like Bombay, Delhi, Madras

and Calcutta. There are also the Government presses which are preoccupied with meeting the basic needs of the Government. It is generally felt that the country's capacity to print text books is not adequate. There is an increasing demand from industry for the printing of packaging paper, labels, publicity materials, etc; the private printers find meeting these demands more lucrative. It may not, therefore, be possible for the existing plants to meet fully the text books production requirements of the States which are going to increase as a result of increasing enrolments. There is also the question of mass printing of text books. Except for the plants in Andhra and Bihar, each of which is capable of producing 20 million copies a year, there are no plants which can undertake large scale production of books. Sophisticated machinery, which is not manufactured in the country, is required for mass printing of books. The printing of children's books requires colour printing which can be done economically by offset printing. There is shortage of this kind of printing in all parts of the country. In order to provide text books to school children at low prices, it is essential to develop modernised printing capacity. Efforts may be made by the Central Government to get a press for every State in the same manner as the three regional presses have been obtained as a gift from the Government of West Germany. But if this is not possible, the Central Government should help each state in establishing its own printing press. The Ministry of Education and Social Welfare should formulate a scheme under which State Governments may be assisted to establish text books printing presses.

#### Distribution Machinery

The distribution charges (including the bookseller's commission) account for 15-20 per cent of the cost of a text book. The distribution of text books is at present in the hands of wholesale agents, their sub-agents and retail book shops. In some states, depots have also been set up at district and divisional levels. The existing arrangements for the distribution of text books are, however, not very satisfactory and very often the books do not become available to school children in time. The printing of text books sufficiently in advance, so as to ensure that the stocks become available at all depots well ahead of the commencement of the academic session and the organisation of an appropriate distribution machinery, official as well as non-official, will ensure that the books become available to students in time. The NCERT should undertake a study of the existing practices of the distribution of text books in different States. Its findings will enable the formulation of appropriate programmes for ensuring smooth distribution.

The nationalisation of text books should be followed by the elimination of middlemen and thus save part of the expenditure now incurred on agency commissions which, as was indicated earlier, accounts for 15-20 per cent of the cost of a text book. The elimination of the traders and middlemen will require the creation of an alternative system of distribution. The utilisation of existing teachers' and students' cooperatives for the sale of books would be one of the ways by which this could be done. These cooperatives may be difficult to organise in each and every school, particularly for want of adequate storage space and staff facilities. The extent to which the existing machinery of the Government—of the Education



Department as well as of other departments—can be utilised for organising a State system of distribution will need to be examined by the States.

The NCERT can be requested to assess the existing position and formulate concrete proposals.

#### Other Means of Reducing Cost of Text Books

The efforts to improve the quality of content, getup and printing of the text books is likely to increase the cost of production. Ways and means have, therefore, to be devised to ensure that, while improving the quality the cost of text books is not allowed to increase. Among the important

measures which can be adopted are:

(a) coordinating the bulk purchases of paper of standardised specifications at cheaper rates;

(b) the supply of blocks and plates of illustrations to the States;

(c) the production of common materials like atlases, charts and other aids centrally; and

(d) avoiding the practice of prescribing a large number of text books for a subject.

The desirability and the feasibility of these suggestions would have to be examined by the Government of India and the State Governments.

## COMMITTEE FOR CATEGORIZATION OF THE WORK-CHARGED STAFF OF THE CENTRAL PUBLIC WORKS DEPARTMENT, 1973.

Report, New Delhi, Ministry of Works & Housing, 1973. Memiographed, 132p.

Convener: Shri J.D.Khanna.

Members: Shri Mehar Singh; Shri P.S. Mazumdar; Shri G.K.Khemani; A representative of the Military Engineering Service to be nominated by the Government (Col B.L. Varma).

Secretary: Shri M.P.Makhijani.

The Committee was reconstituted vide Resolution No.11015(46)/72-EW4 dated 11th July, 1972 as under:

Chairman: Shri P.K.Sen.

Members: Shri Prakash Narain; Shri Mehar Singh; Shri S.Mazumdar; Shri G.K. Khemani; Col B.L. Varma.

Secretary: Shri M.R.Makhijani.

#### APPOINTMENT

In pursuance of recommendation No. 165 of the Third Central Pay Commission, Government set up a Categorization Committee for the Work Charged Staff of the Central Public Works Department by the Resolution No. 11015(46)/72-EW4 dated the 18th May, 1973.

#### TERMS OF REFERENCE

(i) To review the existing classification of posts on the work charged establishment of the Central Public Works Department as unskilled, semiskilled, skilled and highly skilled, keeping in view the duties and responsibilities of each post, complexities of tasks assigned, skills required to perform jobs, tools used and processes involved in the work, and suggest appropriate revised classification, where necessary, so as to ensure proper placement of the workers into the new pay scales prescribed on the recommendations of the Third Pay Commission.

(ii) To examine the anomalies, if any, in the classification of posts on the work-charged establishment of the Central Public Works Department in the light of the classification

adopted for similar posts in other departments and suggest remedies for removal of such anomalies, keeping in view all the relevant factors.

(iii) To review the classification of identical categories of industrial workers under Government of India Presses such as carpenters, electricians, welders, wiremen, electrical Khilasi, and blacksmith for ensuring a reasonable measure of uniformity of standards in the process of re-categorisation.

#### CONTENTS

Introduction; Our Terms of Reference; Views expressed by Unions and Departmental officers; New Pay structure of the Third Central Pay Commission and its repercussions; Objective Principles being followed by the Committee; Classification of the existing categories in the work charged Establishment of the CPWD; Recommendations for some changes in the structure of the work charged Establishment of the CPWD; Some general observations on the structure of the work charged Establishment and its relationship with Regular Classified Establishment of the CPWD; Fitment of categories into the prescribed scales of pay; classification of some categories of workers in the Government of India Presses; Some suggestions regarding implementation of our recommendations; Conclusion; Appendices A to E.

#### RECOMMENDATIONS

The recommendations of the present Committee will not apply to the CPWD units engaged in construction of roads in Nepal.

The present classification is based on relative position of categories in the context of basic trades which have already been classified as skilled or highly skilled within or outside Government departments.

The Committee does not agree with the contention that

all skilled or highly skilled categories should have a common pay scale.

The post of work mistry(Electrical) should have been treated at par with work Assistant and Road Inspector on the Civil side. This should be rectified immediately with effect from a prospective date.

The following Civil categories should be abolished:

Chainman	unskilled
Lineman Plumbing Packer and Asst. upholsterer Syce	semi-skilled

The Skilled category of Caneman should be abolished and the work of repairs should be entrusted to parties on the basis of ad hoc contracts.

The category of Tailor in the skilled group should be abolished and the duties entrusted to the existing category of upholsterer.

The category of stone cutter (skilled) should be abolished.

The category of Assistant Painter should be abolished.

Some highly skilled categories should be created for specialised masonry work, specialised carpentry and specialised painting jobs.

The remuneration for such jobs will depend upon the job they do and will be fitted in one or both of the scales recommended by The Third Pay Commission, namely Rs 330-480 or Rs.380-560.

#### Electrical and Mechanical Wing

The category of Assistant Turner (semi-skilled) should be abolished. There is no scope for a semi-skilled worker in this trade.

Similarly, the category of Assistant Lift Mechanic (referred to as Assistant Mechanic Lifts) (semi-skilled) should be abolished.

The category of Fitter (skilled) should be abolished and merged with the category of Mechanics. Similarly, the category of Assistant Fitter should also be merged with the Assistant Mechanic.

The category of Lineman (skilled) should be abolished and should be merged with the existing category of Wireman to be re-designated as Electrician.

The category of Assistant Lineman (semi-skilled) should be merged with the category of Assistant Wireman to be re-designated as Assistant Electrician.

The category of Stoker (semi-skilled) should be abolished and the duties of the stoker should be assigned to the Assistant Boilerman.

The existing Lift Attendants in the Work-charged Establishment should be placed in the semi-skilled group with the pay scale of Rs. 210-290.

The Assistant Operators (semi-skilled) engaged for operating pumps should be re-designated as Pump Attendants and continue to be in the semi-skilled group.

There should be no skilled operators working on pumps. All existing operators so engaged should be wasted out.

Direct recruitment to the category of Pump Attendants should be stopped and the recruitment to the grade of Pump Attendants should be by promotion from the unskilled category only. The recruitment rules should be suitably

revised.

The designation of Wireman and Assistant Wireman should be charged to Electrician and Assistant Electrician.

The present Electrician in the highly skilled category should be re-designated as Senior Electrician and continue to be in the Highly Skilled group.

A separate category of Senior Lift Mechanic should be created in the Highly Skilled grade.

A category of Senior Cable Jointer should be created in the Highly Skilled Trade.

#### Horticultural Wing

The category of Bhists (unskilled) should be abolished.

There should be no recruitment in the unskilled category of any Malis.

All Malis should be in the semi-skilled grade.

The unskilled worker in the Horticulture Wing should be re-designated suitably e.g Garden Khallasi or Garden Attendant etc.

Future recruitment to the grade of Malis should be by direct recruitment of trained candidates and by promotion from the unskilled category simultaneously in accordance with a prescribed ratio and trade test.

About one third of the posts at present in the trade of unskilled Malis may be upgraded to the semi-skilled category. The present unskilled incumbents should initially be eligible for promotion to the upgraded post after having been properly screened by a trade test.

As the Horticultural Directorate is called upon to execute skilled and highly-skilled jobs, the necessity of some skilled operative categories is genuine. The previous Categorization Committee's recommendation for creation of posts of Floral Decorators should be acted upon.

It is suggested that Government may consider creation of some skilled operative posts on merits of such proposals. At present, there seems to be no necessity to create any highly skilled posts in the Horticultural Wing.

In the event of a number of skilled operative posts being created, these should work independently of the supervision exercised by the Chowdharies but directly under the Section Officer or the Assistant Director.

There are a number of categories which were created after the previous categorization. Most of these categories are in connection with works in Nepal. The category of Jeep Driver, however, should be classified as 'skilled' and should be placed in the pay scale of Rs. 260-350 as recommended by the Third Pay Commission for light vehicle drivers.

A number of work charged categories were transferred to Regular Classified Establishment by Government orders in 1958 and subsequently some more categories were transferred to the Regular Classified Establishment in accordance with the first Categorization Committee's recommendations. Sewermen and Lift Operators were in the list of categories so transferred. Some of the Sewermen and Lift Operators opted to continue in the work charged Establishment. They being in the semi-skilled category would be fitted in the scale of Rs. 210-290. The corresponding scale recommended for the Regular Establishment (non-workshop staff) is, however, Rs. 210-270. This will create an anomaly. It is, therefore, suggested that those Sewermen who were transferred to the Regular Establishment should be given a pay scale of Rs.

210-290 as personal to them.

There is not much anomaly about the Lift Operators in the Regular Establishment as the Pay Commission has recommended a Selection Grade for them. The Lift Operators who were transferred from the Work-charged Establishment may, however, be given an option either to opt for semi-skilled scale of Rs. 210-290 personal to them or remain in the Regular Establishment with the new pay scale.

Consequent on the recommendation regarding the general pay scale of the skilled category being at Rs. 260-400, the pay scale of the Work Assistants, although in the Regular Classified Establishment, who are expected to supervise the work of the skilled category seems extremely inadequate. The only way to rectify the situation partially without touching the pay scale of the Work Assistants is to re-activate the category of Selection Grade Work Assistants in the Regular Establishment.

For the promotion of skilled artisans to the grade of Work Assistants, it will be sufficient for a candidate to have some working knowledge about the trades other than his own.

It is difficult to classify the Work Assistant in the Work-charged Establishment. For the very peculiar nature of their job, they can be termed as 'Minor Supervisors'.

In some isolated stations it will be economical and desirable to grant the existing "Artificer Allowance" (i.e. some special pay) to workmen who may look after the stray jobs of another trade.

Some avenue for promotion should be available to the unskilled workers who by virtue of the nature of duties have no opportunity of learning a skilled trade e.g. Beldars working on roads, air strips or stores. It will be desirable to create some posts of Mates for the purpose of supervision at the lowest level.

The existing Head Electrician (150-205) should merge with the existing Electrician which has been suggested to be re-designated as Senior Electrician. The existing Assistant Electrician in the scale of 85-110 should be in the semi-skilled grade and can be easily fitted in the proposed category of Assistant Electrician. The existing category of Firemen (Non-fire-fighting) in the scale of Rs. 75-95 should be in the semi-skilled grade of Rs. 210-290 as in the case of Stoker.

The present practice of granting exemption from trade tests to selected categories should be discouraged as this is detrimental to the interest of the Department and also raises similar demands from other categories.

Government should prepare some basic guidelines for conducting trade tests in the various units.

In the particular cases where abolition of semi-skilled categories attached to skilled grades has been recommended, the unskilled workers should be allowed to compete with outsiders for entry into the skilled grade with suitable relations required for the purpose, subject however to that the technical qualifications and trade test standards are not relaxed.

The direct recruitment quota for the existing Wiremen to be re-designated as Electrician, should be abolished. 50% of the posts of existing Assistant Wireman to be re-designated as Assistant Electricians, should be filled up by direct recruitment.

Wherever possible, training should be given to existing workmen.

At present it will not be possible to introduce the

category of Master Craftsmen.

Although at present all the existing skilled grades have been put on the single pay scale of Rs. 260-400; it will be open to Government to give any of the three basic pay scales maintained for skilled categories for all newly created categories.

Even while adopting the pay scale for Jeep Drivers, the pay scale of 260-350 applicable to light motor vehicle drivers has been adopted.

The following categories should be in the grade of Rs. 330-480 in the highly skilled group:

Electrician (to be redesignated as Senior Electrician)

Pattern Maker

Senior Mechanic

Senior Mechanic AC & R

Senior Operator

Senior Lift Mechanic

Senior Cable Joiner

The last two categories have been recommended for new creation.

The following categories should be in the Grade of 380-560.

Boiler Foreman

Foreman AC & R

Foreman Electrical

Foremen Mechanical.

#### Some Categories in the Government of India Presses

Electrical Khallasis should be in the unskilled grade. Carpenters, Welders, Blacksmiths and Wiremen should be in the skilled grade with a pay scale of Rs. 260-400. The Electrician should be in the highly-skilled Grade of Rs. 330-480.

As in the case of the work-charged Establishment, the Government of India presses should also redesignate the Electrician as Senior Electrician and skilled Wireman as Electrician.

The present Electricians who are to be upgraded to the highly-skilled category should possess a supervisor's license as in the case of the CPWD.

The existing Wiremen to be redesignated as Electrician should possess electrical workmen's permit class II or its equivalent.

Any other identical categories which have not been covered in Chapter X should be classified in the same manner as has been done for the Workcharged Establishment of the CPWD.

There is some need for adopting a definite pattern of operation and supervision on the Electrical side of the Government of India Presses.

It may be desirable to merge the Electrical Khallasis with general unskilled category of labourers in the Government of India Presses for the purpose of flexibility.

#### General

In the cases of Assistant Turner, Assistant Lift Mechanic and Assistant Painter which have been recommended for abolition, the existing incumbents should be trade tested and a skilled post will have to be created for the successful candidates. The semi-skilled post should be abolished simultaneously.

The trade test will be repeated once a year on the same lines till all the existing Assistant Turners, Assistant Lift Mechanics and Assistant Painters are either promoted or wasted out in the normal course.

The vacancies in the existing skilled grade should, however, be filled up by direct recruitment only. A post in the existing semi-skilled grade falling vacant due to normal wastage should be abolished and corresponding skilled post created and filled by direct recruitment.

The trade test for the semi-skilled category mentioned in para 12 of Chapter 19 of the Pay Commission's Report should not apply to the existing semi-skilled Malis in the scale of Rs. 75-95, mates (Rs. 75-95) and Sewermen in the workcharged establishment (Rs. 75-95). They should be automatically eligible for the scale of Rs. 210-290.

However, in the case of Stoker and Line-men plumbing, the trade test will be required to enable the existing incumbents to enter the grade of Assistant Boilerman and Assistant Plumber in the existing Grade of Rs. 85-110.

Similarly the Firemen (Non-Fire Fighting) will also have to undergo the trade test to enter the grade of Assistant Boilerman.

The present designation of Mali and senior Mali will have to be revised.

The present skilled operators working on Pumps should be wasted out. The vacancies thus created should be downgraded to those of Pump Attendants in the semi-skilled grade.

The Duties and Recruitment Rules for each post should be thoroughly reviewed after the present classification.

The recommendations regarding the Horticultural Wing should apply to all horticultural workers, whether under the Director of Horticulture or outside.

There should be some coordination while framing the yardsticks of the various Categories—Civil, Horticultural or Electrical and Mechanical.

Yardsticks should not be taken as rigid guidelines for creation of posts.

## COMMITTEE FOR CATEGORISATION OF THE GOVERNMENT OF INDIA PRESS WORKERS, 1973.

Report, New Delhi, Ministry of Works and Housing, 1973, 56+ ip. Memiographed.

Chairman: Shri R.Gopalaswamy.  
Members: Shri S.N.Banerji; Shri A.C. Das Gupta; Shri Mehar Singh.  
Secretary: Shri Siri Krishan.

### APPOINTMENT

The Government of India by their Resolutions No.O-17034/55/72-PI dated the 17th March, 1973 and 25th April, 1973 and No. O-17034/55/72-PI/Ptg. dated the 31st May, 1973, set up a Committee known as "the Committee for Categorization of the Government of India Press Workers, 1973".

### TERMS OF REFERENCE

(i) to review the present classification of the posts of industrial workers in the Government of India Presses with reference to skill required to perform jobs;

(ii) to recommend reclassification, wherever called for, by way of updating or with a view to removing anomalies, if any, in the existing classification as far as practicable by meticulous examination of the work content, technical appraisal of the tools, etc. used by operatives, tolerances specified, processes involved etc. so as to ensure proper placement of the workers into the new pay scales that may be prescribed on the recommendations of the Third Pay Commission.

(iii) to recommend any changes in the staffing pattern in various branches and sections in the Government of India

Presses consequent on the reclassification/abolition/creation of categories of workers in the Government of India Presses.

### CONTENTS

#### Introductory

Principles of classification; Composing Branch; Reading Branch; Machine Branch (Letter-presses); Bindery Branch; Mechanical Branch; Photolitho Wing; Process section; General categories; conclusion; Summary of Recommendations; Appendices A & B.

### RECOMMENDATIONS

#### Principles of Classification

The existing mode of classification of industrial workers into unskilled, semi-skilled, skilled, highly-skilled, and supervisory categories does not require any change.

#### Composing Branch

The classification of Lino and Mono operators as highly skilled should stand. There should be a selection grade for 20% of the posts in the scale of Rs.425-640.

The reduction from the pay of Lino and Mono operators for short outturn, should be Rs.20 and Rs. 40 instead of the existing rate of Rs. 7.50 and Rs. 15.00 respectively.

The classification of Mono Caster Operator as skilled

should stand. The post should have the long scale of Rs. 260-400 for the skilled category.

There should be one category of Compositor instead of the existing two Grades. The post should be classified as skilled and given a special scale of Rs. 260-480.

The classification of Cylinder Proof Pressman as skilled and Galley Proof Pressman as semi-skilled should stand.

The post of Metal Melter should continue to be classified as skilled.

The post of Barman should continue and should be semi-skilled.

The post of correction checker should be revived and designated 'Time Checker'. It should be at par and interchangeable with Section Holder and classified as Supervisor. There should be one post for every 50 compositors in each shift.

The post of Distributor should be revived. It should be in the skilled category with the pay scale of Rs. 260-350.

One Assistant Section Holder should be in charge of store section with 16 Distributors. Where the number of Distributors is larger, a Section Holder should be put in charge.

The standing forme section should be under the charge of an Assistant Section Holder.

Each Section in the Composing Branch should comprise about 30 compositors to be supervised by one Section Holder and one Assistant Section Holder. The span of supervision of Foreman should be reduced to 4 sections instead of 8 sections.

#### Reading Branch

The post of Copyholder should continue to be in the skilled category, of Reviser, Editor and Copy Editor in the highly skilled category and of Head Reader and Reader-in-charge in the Supervisory category.

The posts of Junior Reader and Senior Reader should be merged into one highly skilled category of Reader to be given the scale of Rs.330-560. There should be a selection grade for 20% of the posts in the scale of Rs. 425-640.

#### Machine Branch

The posts of Mechineman Gr.I and Grade II should be merged into one highly skilled category of Mechineman with a long scale of Rs. 330-560. The post of Mechineman Gr.III should continue in the skilled category and should be redesignated as Machine Assistant.

The posts of Machine Inker/Press Inker/ Rotary man may be redesignated as Machine Attendant. The post should be in the semi-skilled category.

The crew of manning printing machines should be as suggested in para 5.6 of the Report. The post of Outturn Checker to be designated as Time Checker, should be revived. It should be at par and inter-changeable with the Section Holder. There should be one post for each shift.

There should not be separate sections for Hand press, Flatbed and Rotary machines.

#### Bindery Branch

There should be only one category of Binders and the

post should be placed in the skilled category with the scale of Rs. 260-350. There should be a selection grade for 20% of the posts in the scale of Rs. 320-400.

The post of Warehouse man should continue to be in the semi-skilled category and should be designated Bindery Assistant.

The post of Gold Finisher should continue to be in the highly skilled category.

The existing unit of supervision should be supplemented by an Assistant Section Holder to assist the Section Holder.

The post of Outturn Checker, to be designated as Time Checker, should be revived. It should be at par and interchangeable with the Section Holder. There should be one post for each shift.

#### Mechanical Branch

The posts of Assistant Mechanic (Lino)/ (Mono)/ (Mechanical) and Mechanic (Lino)/ (Mono)/ (Mechanical) should continue to be in the skilled and highly skilled categories respectively.

The posts of Head Mechanic (Lino)/(Mono)/ (Mech.) and Supervisor (Mechanical) should be classified as supervisory.

The post of Roller Moulder should continue to be in the semi-skilled category.

The post of Stereotypes should continue to be classified as skilled but should carry the scale of Rs. 260-400.

#### PhotoLitho Wing

The post of Feeder should be redesignated as Machine Assistant (Offset) and should carry scale of pay of Rs.260-350.

The post of Machine Operator Class II (Photosetter) should be designated as Machine Assistant (Photosetter) and categorized as skilled with pay scale of Rs. 320-400.

The post of Workshop of Mechineman should be redesignated as Mechanic (Offset) and should continue to be in the highly skilled category.

The post of Assistant Machine Operator (Xerox) should be classified as skilled with the pay scale of Rs. 320-400.

The posts of Attendant and Trimmer should continue to be classified as semi-skilled and the posts of Dark Room Assistant and Graining Operator as skilled.

The posts of Helio Operator, Machine Operator (Xerox), Machine Operator class II (Photostat), Offset Mechineman Grade I and Grade II and other posts listed in para 8.14 should be classified as highly skilled.

#### Process Section

The post of Developer should be merged with the post of Dark Room Assistant.

There should be one category (instead of two at present) of Etcher in the highly skilled category with the long scale of Rs. 330-560. There should be a selection grade of Rs. 425-640 for 20% of the posts.

The post of Printer should be merged with the category of Etcher.

The post of Moulder and Finisher should be classified as highly skilled with the pay scale of Rs. 330-480.

The post of Plate Monnter and Finisher should continue to be in the skilled category.

#### General Categories

The post of Foreman should be classified as Supervisory and should carry a pay scale of Rs. 455-700.

The post of Section Holder should be classified as supervisory and should carry a pay scale of Rs. 425-640.

The post of Assistant Section Holder should be revived and placed in the Supervisory category, with a pay scale of Rs. 380-530.

The post of Lorry Driver/Van Driver should continue to be in the skilled category and the posts of Cleaner, Driver and Driver for Auto Truck in the semi-skilled category.

The post of Labour Supervisor should carry a scale of Rs. 210-290.

The post of Labourer should continue to be classified as unskilled.

#### Paragraph 5.6

Consequent on our recommendation to merge the two categories of Mechineman Grade I and Mechineman Grade II, we feel that the staffing pattern for running letter-press sheet-fed printing machines of various sizes should undergo a change. As the Government of India Presses follow the standards laid down by the Indian Standards Institution in respect of sizes of paper used and the finished products we recommend the following crew for letter-press printing machines capable of printing paper in the various sizes in RAO series:

S.No.	Machines for paper sizes	Crew
1.	RAO	Mechineman 1 Machine Assistant 1 Machine Attendant 1
2.	Less than RAO and upto RA1(including RA1)	Mechineman 1 Machine Assistant 1
3.	Less than RA1 and above RA3	Mechineman 1 Machine Attendant 1
4.	RA3 and below	Mechineman 1

In regard to letterpress webfed rotary machines, the crew recommended is as at present, viz., 1 Machineman, 1 Machine Assistant and one Machine Attendant.

#### Paragraph 8.14

We do not recommend any change in respect of the following posts:

1.	Artist Retoucher	Highly skilled	Rs. 550-750
2.	Assistant Artist Retoucher	-do-	Rs. 455-700
3.	Cameraman	-do-	Rs. 425-700
4.	Junior Artist	-do-	Rs. 455-700
5.	Junior Artist (Calligraphy)	-do-	Rs. 455-700
6.	Machine Operator Grade I (stop and repeat)		Rs. 425-700
7.	Machine Operator Class I (Fotosetter)		Rs. 425-700
8.	Prover	-do-	Rs. 425-600
9.	Senior Artist	-do-	Rs. 550-750
10.	Senior Artist-incharge.	-do-	Rs. 700-900
11.	Technical Assistant/varityper typist (varitype)	-do-	Rs. 380-560

The posts at S.No. 6 and 7 have not been formally classified so far. We recommend that they should be placed in the highly skilled category.

# **RAILWAY ACCIDENT INVESTIGATION ON DERAILMENT OF NO.90 DOWN FAST PASSENGER TRAIN BETWEEN MALHARGARH AND HARKIAKHAL STATIONS, WESTERN RAILWAY ON 4TH JUNE, 1973.**

**Report, New Delhi, Controller of Publications, 1974. 10p.**

One Man Committee: Shri G.S. Pandor.

## **APPOINTMENT**

This Committee was constituted in accordance with Rule 4 of the Ministry of Tourism and Civil Aviation's Notification No. RS13-T (8)/71 dated the 19th April, 1973 to inquire into the accident to No. 90 Down Fast Passenger Train at about 15.15 hours on 4th June, 1973 at Km. 257/5-6 between Malhargarh and Harkiakhhal stations on the Ratlam-Nimach Metre Gauge Section of the Western Railway.

## **TERMS OF REFERENCE**

To inquire into the accident to No. 90 Down Fast Passenger train at about 15.15 hours on 4th June 1973, at Km. 257/5-6 between Malhargarh and Harkiakhhal stations on the Ratlam-Nimach Metre Gauge section of the Western Railway.

## **CONTENTS**

Summary; Relief Measures; The Train; Local Conditions; Summary of Evidence; Discussions; Conclusions; Remarks and Recommendations.

## **CONCLUSIONS**

### **Cause of the Accident**

After full consideration of all facts, material and circumstantial evidence, I have reached the conclusion that the

blowing over of a part of 90 Down Fast Passenger at 15.15 hours on 4th June, 1973, at Km 257/5-6 was the result of its having been struck by a sudden severe storm from the east while on the run between Malhargarh and Harkiakhhal stations on the Ratlam-Nimach Metre gauge section of the Western Railway. Its effect was localised.

No one is held responsible for it.

## **Relief Measures**

The emergency calls for medical aid were made without delay and were met with prompt response. I am satisfied that the medical aid was prompt and efficient. Relief measures were as satisfactory as could be expected in the circumstances.

## **REMARKS AND RECOMMENDATIONS**

A 3rd class coach was marshalled next to the engine and not the TLR as required under Board's order. Despite the railway officials, claim to have latched one of the doors from inside and locked the other by the carriage key and closed all windows, passengers had gained access to it prior to the accident. When passengers cannot be prevented from travelling in coaches so marshalled despite whatever precautions, the very purpose is defeated. The passengers who died at the spot were in this coach. The rake was at Mhow for the night and in my opinion, there was ample time to marshal the rake in correct order. The staff at fault should be taken up. It should be ensured that standing instructions of the Board on the subject are strictly complied with.

# INFORMAL EXPERT GROUP ON COOPERATIVE EDUCATION, TRAINING & RESEARCH, 1973.

Report, New Delhi, Ministry of Agriculture (Department of Co-operation),  
1974, Memiographed 52+ xv p.

Chairman: Dr. M. S. Swaminathan.  
Members: Dr. D.P. Singh; Dr. S. Paul; Shri R.N.  
Haldipur; Shri N.P. Sen.  
Secretary: Shri K.S. Bawa.

## APPOINTMENT

The Informal Expert Group on Cooperative Education, Training & Research was constituted under the Government of India vide their Notification No. P.11015/1/73-CT dated 12th June, 1973.

## TERMS OF REFERENCE

(i) To examine the adequacy of the existing structure including policy, direction, guidance and coordination at the central level in the sphere of co-operative training, education and research in the context of the rapidly expanding spheres of cooperative programmes, and the need for professionally competent personnel, with knowledge of modern management techniques for the cooperative sector;

(ii) To suggest measures for effective collaborative arrangements between the co-operative training organisations, Agricultural Universities, Institutes of Management, etc.

## CONTENTS

Introduction; Background; Critique of the present situation; Recommendations; Annexures I to VI.

## RECOMMENDATIONS

### Policy Framework

The present arrangements for training of personnel were conceived of, as indicated in an earlier chapter, more than a decade ago. The cooperative movement has, since then, witnessed an unprecedented expansion and ramification of its activities. Increasing reliance is placed on cooperatives for providing the necessary infrastructural facilities for modernising agriculture, promoting agro-industrial complexes in rural areas and supporting the expanding public distribution system. This tremendous growth and diversification in the activities of cooperatives has brought to surface, as we earlier indicated, the inadequacies in the existing arrangements for training of personnel of cooperatives.

In the context of growing volume and complexities of operations of cooperatives, the need for professional

management has become imperative for a sustained healthy growth and success of the movement. It is important to note that cooperative movement does not connote a series of isolated and unconnected activities, but represents an inter-related and integrated system informed by social purpose. Arrangements for training of cooperative personnel should, therefore, be aligned to meet the growing needs of the movement. The basic premises, which form the basis for our detailed recommendations later in this chapter, are:

i) Development of training programmes in a specialised function.

ii) Training arrangements should be sensitive to the practical needs of the cooperatives and training should, therefore, be an essential part of the over-all programme of cooperative development.

iii) The entire range of arrangements for training of cooperative personnel should be conceived as an integrated system with central guidance and co-ordination to avoid duplication of efforts and to ensure optimum utilisation of resources and to maintain uniformly high standards of training.

iv) Recognizing that training is a crucial input, which has a long-term impact on the over-all efficiency of the cooperative movement, adequate funds should be made available for the training programmes. While, in the existing circumstances, Government should continue to be the main source of finance for these programmes the movement which is the beneficiary of the programme should also begin to contribute to the resources for this programme. Other agencies interested in the healthy growth of cooperative movement should also provide assistance for the training programme.

v) It is important that organisations and institutions entrusted with training should be endowed with adequate autonomy, both financial and administrative.

vi) Training for cooperative personnel has to be arranged in diverse fields like, law, accounts, banking, farm management, industrial, business, commercial management etc. This calls for a close contact with institutes of management, agricultural universities, etc.

### Central Agency and Its Functions

There is unanimity of view that there should be an agency at the central level which should be entrusted with the responsibility for formulation, coordination and implementation of cooperative training programmes in the country. It should be high level expert and representative body endowed with adequate funds and autonomy. The functions of this



central agency should be:

- i) to formulate overall policies relating to cooperative training and re-search programmes in the country;
- ii) to assess periodically the needs of training for cooperative personnel to facilitate planning and designing of training arrangements (such assessments may preferably be for the Five Year Plan period);
- iii) to keep effective liaison with and coordinate the activities of Government of India, State Governments, Reserve Bank of India, Financing Institutions, universities including agricultural universities, University Grants Commission, international agencies like the International Co-operative Alliance etc., in matters relating to cooperative education, training and research;
- iv) to establish and manage cooperative training and research institutions;
- v) to arrange for training of teaching staff of cooperative training institutions;
- vi) to ensure maintenance of high academic standards in cooperative education and training in various institutes in the country and suggest syllabi and standards of examinations for different courses;
- vii) to promote education in cooperation in schools and colleges and, for this purpose, to suggest syllabi and standards of examination and arrange the publication of standard text books on cooperation;
- viii) to establish a research wing; identify problem areas of cooperatives requiring research and organise research studies;
- ix) to arrange for provision of consultancy services to cooperatives, particularly on problems of management;
- x) to evaluate the training programmes with a view to aligning them more closely to practical needs of the cooperative movement;
- xi) to raise funds by way of grants, fees, subscriptions and contributions from Central Government, cooperatives and other institutions.

**Central Agency Ultimately a Multi-state Society—to begin with part of NCUI**

We have carefully considered the various views regarding the appropriate legal shape of the Central Agency, whose functions we have outlined above. A view has been expressed that the Central Agency should be an independent Society registered under the Societies Registration Act. We have examined the position obtaining in different countries and find that the central control of cooperative training organisations is generally located within the cooperative movement. We do not find any strong reason to make a departure in this regard in our country. We have next considered the alternative suggestions for registering the Central Agency as a separate co-operative society, or of locating it within the National Cooperative Union of India. The proposed central agency is conceived of essentially as a specialized institution with professional expertise built into it and endowed with autonomy, both administrative and financial. The nature of functions and magnitude of operations point to the need for setting up the proposed central agency as a separate, autonomous legal entity, which could be registered as a multi-state cooperative society. The membership of such a society would consist of Central Government, N.C.D.C.,

NCUI, other National Level Cooperative Federations, R.B.I. and various other financing and other institutions interested in promoting cooperative education and training. Organisation of such a society may, we feel, take some time as the reaction of various financing and other institutions to their becoming members of the proposed cooperative society will have to be ascertained before considering the organisation of the society. As the implementation of the programme of training and education has assumed urgency, we would suggest that, to begin with, the proposed Central Agency should be located within the National Cooperative Union of India as a separate wing. The NCUI represents inter-alia, the National Cooperative Federations, State level cooperative federations as well as the State Cooperative Unions. These are the main users/beneficiaries of the various cooperative education and training programmes. The NCUI is the chief spokesman of the cooperative movement and has the overall responsibility for cooperative training and education. This role had to be maintained. Therefore, to bring about close coordination and harmony between the NCUI and the proposed Central Agency, the President of the NCUI should also be the President of the Central Agency.

**Council for Cooperative Education, Research and Training (CCERT)**

The proposed central agency should have an appropriate status commensurate with its importance and responsibility. We recommend that the proposed Central Agency be called the Council for Cooperative Education, Research and Training (CCERT). As regards its composition it should include representatives of all interests as well as experts. The Government of India is vitally interested in the development of the cooperative movement and its training and education programmes. It will continue to provide a major part of the finances required. Thus, the Central Government should have adequate representation. The National Cooperative Development Corporation is a promotional organisation in the fields of cooperative marketing, processing and storage. It is desirable that this organisation is also associated with the proposed central agency. The co-operative movement should be represented in the central agency by both the non-official leadership and professional management. As the central agency will also provide training for Government employees of State cooperative departments, it should have the assistance of State Registrars of cooperative societies. Various financing agencies like Reserve Bank of India, Agricultural Refinance Corporation, Industrial Development Bank of India, Life Insurance Corporation, Industrial Finance Corporation, Rural Electrification Corporation, State Bank of India and nationalised banks provide diverse and substantial financial assistance for various cooperative programmes. A list of such agencies and types of assistance provided by them is indicated in Annexure VI. These agencies are, therefore, vitally interested in the healthy growth of the cooperative movement and emergence of competent professional management. There is also need for coordination of cooperative training programmes with training programmes arranged by these institutions. It will, therefore, be beneficial to provide representation to the financing agencies. Lastly, there is need for inclusion of experts from teaching faculties, universities and institutes of management.

In the light of the above observations, we recommend that the composition of the Council may be as follows:

1. President of the NCUI – President.
2. Director General of Coop. Education, Research and Training – Vice President.
- 3 & 4. Two representatives of National level Coöperative Federations to be nominated by the Governing Council of the NCUI.
- 5 & 6. Two representatives of State Cooperative Unions to be nominated by the Governing Council of NCUI.
- 7 & 8. Two Chief Executives of National Level Cooperative Federations to be nominated by the Governing Council of the NCUI.
- 9 & 10. Two Chief Executives of State Level Cooperative Federations to be nominated by the Governing Council of the NCUI.
- 11 & 13. Three nominees of the Central Government.
14. Secretary, National Cooperative Development Corporation.
15. Deputy Governor/Executive Director incharge of Agricultural Credit, Reserve Bank of India.
- 16 & 17. Two representatives of financing institutions to be nominated by the Reserve Bank of India.
18. One nominee of the Director General, ICAR.
- 19 & 20. The Dean of the VMNICM and the other representative of the Institute to be co-opted by the CCERT.
- 21 & 22. Two Principals of Coop. Training Colleges to be co-opted by the CCERT.
23. One representative of Universities to be co-opted by the CCERT.
24. One representative of the Agricultural Universities to be co-opted by the CCERT.
25. One representative of the Institutes of Management to be co-opted by the CCERT.
- 26 & 27. Two Registrars of Cooperative Societies from the States to be co-opted by the CCERT.

#### Note:

While making co-options proper regional representation on the Council may be ensured. Generally not more than one person from a State may be co-opted.

#### Director-General CCERT

To equip the CCERT to discharge its functions efficiently, it should have the services of a highly competent executive, who may be designated as Director General. The incumbent to this post should be a dynamic person with outstanding record and experience. To attract highly competent persons to this post, this office should carry the status of a Vice-Chancellor of a University. To select a suitable person for the post, the choice should necessarily be made from a wider field, but attempt should be made to choose one with cooperative background. We envisage a crucial role for the Director General. He should be the Vice-President of the Council and generally represent the Council on other expert bodies. He should also preside over sub-committees of the Council, if any. As the major focus of attention of the Council will be on the strengthening and expansion of the role of VMNICM, the Director General should also be the head of that Institute. Besides being responsible for the administra-

tion of the Council, he would thus be also directly responsible for the administration and development of the National Institute. The Director General should have adequate powers under the bye-laws to match his responsibilities.

#### Amendment of Bye laws of NCUI

The bye-laws of the National Cooperative Union of India would need to be amended to provide for the constitution of the Council as a separate wing of the NCUI with its own funds and autonomy. The bye-laws should also provide for appointment of a Director General with adequate powers as indicated above. We understand that such amendment to the bye-laws of the NCUI is permissible. Besides NCUI, other organisations and interests will be represented on the Council. We would, therefore, suggest that any amendment of the bye-laws of the NCUI relating to CCERT may be made only with the prior concurrence of the Government of India. When, in due course, a separate Multi-State Society is organised as suggested in para 4.4 above, it should have, in addition to a General Body, a Governing Council whose composition may be on the lines indicated at para 4.6.

#### V.M. National Institute of Cooperative Management

A major responsibility of the proposed CCERT is to develop the VMNICM as a premier institute for cooperative management and training at the National level. As already indicated, the Director General of CCERT will also be the head of this National Institute. The Director General may be assisted by a Dean in the administration of the Institute. This Institute would also need further strengthening of its teaching faculty. This should receive priority of attention of the CCERT, which should consider introducing U.G.C.'s scales, as approved by the Government of India, for the teaching staff to attract persons of requisite calibre and experience.

The premises in which the Institute is now located, belongs to the Reserve Bank of India and has been licensed to the C.C.T. The Cooperative Bankers' Training College run by the Reserve Bank is also located in the same building. We are recommending in this chapter that the Cooperative Bankers' Training College (CBTC) run by the R.B.I. should be transferred to the proposed CCERT along with the buildings and equipments at Poona. This would provide an adequate campus to the National Institute to enable it to further expand and diversify its training programmes. Additional buildings can be constructed as and when necessary. If, for some reason, the Reserve Bank does not agree to transfer the CBTC to the CCERT, the alternative would be to take urgent steps for constructing a separate campus for the Institute at a suitable location.

A suggestion has been made that more National Institutes on the line of the Poona Institute may be established in the country. As it has been indicated earlier, even the existing facilities available at the Poona Institute are not being fully utilized. Efforts should, therefore, first be directed to fuller utilization of the facilities at the Poona Institute. If, at a later date, the Poona Institute is unable to cope with the demand for training arrangements, the question of opening more such Institutes at suitable places and in appropriate fields may be considered.

## Cooperative Bankers' Training College

As we indicated earlier, the Cooperative Bankers' Training College is being run by the Reserve Bank in the same premises in which the National Institute of Cooperative Management is located. We have noted that, prior to 1962, when the cooperative training programme was being run by the Central Committee for Cooperative Training under the R.B.I., the CBTC was one of the institutions under the control of the Committee. When the present C.C.T. was formed, this college was not transferred to it. During our discussions with representatives of cooperative institutions and others, it was urged that CBTC should also be transferred to the Central Agency for Cooperative Training, that is, the proposed CCERT.

We have carefully examined the suggestion for transferring CBTC from the Reserve Bank to the proposed CCERT. The CBTC trains intermediate as well as senior personnel of cooperative banking institutions. Besides, it also trains officers of commercial banks in agricultural financing. Agricultural credit constitutes a major activity of cooperatives and arrangements for training in rural banking should, therefore, be a legitimate function of the proposed CCERT which could certainly extend training facilities to the personnel of the commercial banks also. In the present context of the need for greater coordination between commercial banks and cooperatives, a common training programme for senior officers of cooperatives and commercial banks in agricultural credit is highly desirable and will be extremely useful. It is for this reason, we have also recommended that representatives of financing institutions should be on the proposed CCERT. It has also been pointed out to us that the Reserve Bank, as a Central Bank of the country, should promote and not undertake such training programmes. In this connection a former Governor of the Reserve Bank had observed:

"This large scale increase in credit operations has imposed on the personnel of cooperative institutions a strain which it was not, in most cases, qualified to bear and it became necessary to undertake a training programme. It is not one of the normal functions of the Reserve Bank to undertake such a programme, but pedantic adherence to jurisdictional responsibility would have meant that the programme would not have been undertaken at all."

Further as we indicated earlier, training is a specialised function and, at the All India level, the entire arrangements for training of cooperative personnel should be conceived as an integrated system with a central direction and guidance, to avoid duplication of efforts and to ensure optimum utilisation of resources. In view of the above important considerations, we strongly feel that the Reserve Bank may transfer the CBTC to the proposed CCERT. The CCERT will, of course, seek assistance of the R.B.I. for designing suitable courses in cooperative banking and also draw on the expertise available with the Reserve Bank.

## Cooperative Colleges

We had observed in an earlier Chapter that there is no active collaboration between the National Institute of Cooperative Management and the 14 colleges run by the C.C.T. For bringing about closer coordination between these

institutions, we suggest that the National Institute may:

- a) nominate a representative of its faculty on the Local Committee of each college;
- b) provide facilities for training teachers of these colleges at the Institute;
- c) guide and assist in the formulation of syllabi, conduct of training programmes; and
- d) undertake evaluation of the functioning of the colleges.

There are 14 cooperative colleges now and two more are proposed to be established in Kerala and in the north-eastern region. All the existing colleges are located in rented premises. The accommodation, hostel facilities and library facilities are inadequate and unsatisfactory. Location of these colleges in proper campus buildings to be constructed at an early date, should receive priority of attention of the CCERT. The location of these colleges should be such as to facilitate drawing upon guest-lecturers from nearby institutions.

## Gradual Transfer of Colleges

Another relevant issue which has been raised is whether the colleges run by the C.C.T. should continue to be the sole responsibility of the proposed CCERT, or whether they should be gradually transferred to the State Government/State Cooperative Unions. The Study Team on Cooperative Training which considered this matter in 1960 expressed itself in favour of the progressive decentralization of the administration of these colleges. We would suggest that the CCERT may review the position at the appropriate stage and consider the question of handing over the colleges to the State Governments/State Cooperative Unions. The CCERT may also consider at what stage, and to what extent, the State Governments/State Cooperative Unions should assume responsibility for expenditure on these colleges. As an alternative and to bring about close coordination between cooperative training programmes and Agricultural Universities, we would suggest that the proposed CCERT may also consider running these colleges as part of the Agricultural Universities.

## Member-Education

Education of members and prospective members of cooperative societies is important for promoting enlightened membership in cooperatives. This training has to be given at the village level or tahsil level and the arrangements for this training should appropriately be the responsibility of the State Cooperative Unions and the National Cooperative Union of India. Member-education is at present being done through peripatetic units run by the State Cooperative Unions. The peripatetic units run by the State Cooperative Unions are partly or wholly financed by the State Governments. Certain supervisory staff employed at the zonal and National levels by the National Cooperative Union of India is financed by the Central Government. It has been brought to our notice that the present member education programme has not been very effective. It has not, however, been possible for us to examine this matter in greater depth with a view to suggesting specific measures for improving the arrangements for member-education. We are of the opinion

that member-education may continue to be the responsibility of the main body of NCUI and the State Cooperative Unions. We would, however, suggest that the proposed CCERT may undertake pilot studies for identifying the weaknesses in the present programme of member-education and suggest measures to render this programme more effective and purposeful. Another area in which the proposed CCERT could help this programme is provision of pedagogic guidance and general monitoring of the programme.

#### Education of Office-bearers of Secondary and Apex Institutions

For improving the over-all efficiency of secondary and apex level institutions, there is need for short-term training of office-bearers of secondary and apex level institutions in the States. The All India Cooperative Instructors' Training Centre at Delhi has been arranging some leadership training of non-officials. The training of non-officials is essentially the function of State Cooperative Unions and the National Cooperative Union of India. A large emphasis in such training should be on management aspects. It would, therefore, be an advantage if the CCERT could, at the request of the State Cooperative Unions/National Cooperative Union of India, arrange for the training of the office-bearers of district, State-level and national level cooperative institutions.

#### All India Coop. Instructors' Training Centre

The All India Cooperative Instructors' Training Centre is functioning under the auspices of the National Cooperative Union of India at Delhi since 1957-58. It was organised for imparting basic training and orientation training to the instructors working in the member-education programme. These instructors are only cooperative inspectors. The Institute is located in a rented building and has no proper library facilities. It has a principal in the junior class I scale and two lecturers. This training centre is comparable to that of a junior training centre run by the States. The entire expenditure on the running of this centre is met out of grants given by the Government of India. As the number of instructors sent by the State Cooperative Unions for basic training as well as for orientation training, has not been adequate to utilise fully the capacity of the centre, it has also organised other types of leadership training courses for non-officials. As training of instructors is a specialized function, which should appropriately be under the direct purview of the proposed CCERT, we recommend that this function of training of instructors should be transferred to the proposed CCERT. The All India Coop. Instructors' Training Centre should also be transferred to the control of the CCERT. The CCERT may decide the future role of the centre and the purposes for which it can be utilised. If its present functions can be taken over by other institutions and it has no other distinct function, the CCERT may consider its closure.

#### Assessment of Training Needs and Evaluation

There is no arrangement now at the central level, as we observed in chapter III, for periodic assessment of manpower requirements of cooperatives for determining short-term and long-term needs of training for cooperative person-

nel. Nor do the present arrangements provide for a continuous evaluation of training programmes. Assessment of training needs and evaluation of training programmes should constitute a major area of responsibility of CCERT, which may have a separate cell in its organisation for this purpose. The assessment of training needs may be made for Five Year Plan periods. As no such assessment has been made for the Fifth Five Year Plan period, such an assessment should be one of the first tasks of the CCERT.

#### Coordination with Agricultural Universities

Agricultural cooperatives have a predominant place in our cooperative movement. One of the major objectives of these cooperatives is to facilitate modernisation of agriculture. Agricultural universities have a crucial role in introducing innovations in agriculture. Cooperative programmes need to be continuously re-aligned to meet the emerging needs of modern agriculture. This calls for a closer link between agricultural universities and the cooperative training organisations. This is an aspect which has not received adequate attention. The proposed CCERT should, we recommend, be the focal point for such coordination between the cooperatives and the agricultural universities. The Council could advise Agricultural Universities regarding teaching of cooperation in those Universities, and should secure their help in teaching the subject of 'Farm Management' in cooperative training institutions. Further, as indicated earlier, the Council should also consider running the cooperative colleges as part of Agricultural Universities.

#### Coordination with other Institutions

There are several organisations and institutions engaged in general education, training, administration and management. At the Central Government level, the Ministry of Education, Department of Personnel and A.R. (Training Division), ICAR, the National Council for Educational Research and Training, Institute of Administration, Mussoorie, the National Institute of Community Development, Hyderabad etc. are some of the organisations engaged in this field. The RBI, the State Bank of India and some other financing agencies similarly have established training institutes. The State Governments have also established administrative training colleges and other training institutes. It is desirable that necessary collaboration and liaison is established with such organisations and institutions.

#### Coordination with Institutes of Management

Cooperatives are essentially business organisations and management of cooperative enterprises necessarily has several aspects common with management of any enterprise whether in the public sector or in the private sector. The various institutes of management are engaged in the task of training management personnel in the modern management techniques. It is, therefore, essential that fullest possible advantage should be gained from the expertise, knowledge and experience of these institutes of management by the cooperative movement. The CCERT should, therefore, establish closest links and active association with these institutes.

The Study Team on Cooperative Training had observed that, in the context of the national policy for promoting cooperatives for various economic activities, it is necessary to familiarise the younger generation with the principles of cooperation and its application to economic activities. The Team, therefore, recommended that the teaching of cooperation should increasingly figure as a part of general education at appropriate stages. We wholly endorse this recommendation, and one of the functions of the CCERT should be to promote education in cooperation in schools and colleges and, for this purpose, to suggest syllabi and standards for students in schools and for degree courses and also help in the publication of standard text-books on cooperation. In pursuance of its broader objective of educating the younger generation in cooperation, it is necessary for the proposed CCERT to keep in close touch with University Grants Commission and the Universities and also promote community action programme involving students, youth and women.

#### Mechanism of Coordination

In the preceding paragraphs, we have suggested that the proposed CCERT should coordinate its activities with those of agricultural universities, institutes of management etc. The broad mechanism of such coordination should be as follows:

- (a) The CCERT could advise the various institutes, universities etc. on introduction of cooperation as a subject in the courses run by them.
- (b) The CCERT could avail itself of the facilities of the institutions like agricultural universities and institutes of management for conducting courses on cooperation and cooperative management.
- (c) The CCERT could arrange for training of cooperative personnel in specialised courses run by other institutions.
- (d) The CCERT could make available the facilities in cooperative training institutes to other organisations/institutions.
- (e) The CCERT and other organisations could exchange information on research programmes and research results.
- (f) The CCERT and the other organisations may exchange faculty members.

#### Research

Cooperative research should be related to the practical problems of the cooperative movement. The subjects for research should, therefore, be carefully selected and the studies already made by other institutions should be made full use of. There is already a research wing in the National Institute which should keep itself in touch with other organisations like Agriculture Universities, institutes of management etc. and exchange informations on research programmes and research studies. The research wing should also keep itself in touch with the National Cooperative Development Corporation, National Cooperative Federations, Reserve Bank of India etc. for identifying the broad problem areas requiring research.

There is an increasing recognition of the need for consultancy services for cooperatives for improving the efficiency of their operation. The consensus that emerged during our discussions, with representatives of cooperatives and others, was that it would be of advantage to build consultancy services into the respective sectors of the movement itself. For example, it was noted that the National Cooperative Consumers' Federation has set up a consultancy and promotional cell to provide guidance and assistance to consumer cooperatives in various matters relating to operations and management. Similarly, the National Cooperative Development Corporation also proposed to set up a consultancy wing for cooperative marketing and processing activities. An important aspect on which the National Institute should provide consultancy service, is on co-operative management problems. The faculty members of the National Institution should be made responsible for providing consultancy services. The experience and expertise available in other consultancy cells could be shared with mutual benefits.

#### Accent on Practical Training

The need for providing a practical bias to training in the cooperative sector cannot be over-emphasized. A practical bias will enthuse a problem-solving approach and lead to a truly development concept of cooperative movement amongst the personnel undergoing training. For this, a few alternative devices can be suggested. A trainee could be provided a pre-planned attachment to a selected society or assigned a project with emphasis on field work. The training institution could also adopt a "society" as a field base for meeting the practical requirements of training. The adoption of a society could even provide selected consultancy opportunities and help identify suitable areas for research. If the training institutions can meaningfully exploit this approach, it can stimulate Consultancy, Research and Training which are mutually supportive activities.

#### Financial Arrangements

One of our basic recommendations is that the proposed CCERT should be endowed with financial autonomy. This can be ensured only if adequate funds are made available from different sources. In our view, the Central Government will have to continue to be the major source of funds for this purpose. The National Cooperative Development Corporation is engaged in the promotion of cooperatives in the fields of marketing, processing and storage. As promotion activities include training, it is legitimate that the NCDC should provide some assistance to the training programmes. The R.B.I. and various other financing institutions are naturally concerned with the competence of the managers of co-operative enterprises. During discussion with the representatives of the financing institutions, they generally welcomed their participation in the agency to be set up for cooperative training and they were also agreeable to make contributions towards expenses of such an agency. Further, it was also recognised that training constitutes a major responsibility of the cooperative movement itself, and it should, therefore, make contributions to the funds of the CCERT.

Keeping in view the above observations we recommend that the Council may raise funds from the following sources:

1. Central Government may provide a non-lapseable annual grant to the Council of not less than Rs. 1 crore upto the end of Fifth five year plan after which the position may be reviewed.

2. The N.C.D.C. may provide a non-lapseable grant of Rs. 10 lakhs a year.

3. The R.B.I. may make annual contributions and such contributions should not be less than the expenditure now incurred by the R.B.I. on CBTC. In fact, it should be increased substantially to take care at least of future expansion.

4. The Life Insurance Corporation, A.R.C., Industrial Development Bank, Industrial Finance Corporation, Rural Electrification Corporation, State Bank of India and nationalised banks should also make annual contributions to the funds of the CCERT. The quantum of contributions should be related to their total transactions with cooperative institutions. An appropriate formula can be worked out in consultation with R.B.I. and the concerned financing agencies.

5. The National Cooperative Union of India should contribute 25% of the amount received by it in its Education Fund.

6. Other national Cooperative Federations should also make contributions to support specific training and research activities related to their fields.

At present the C.C.T. pays train fare for journeys to and from the training institutes. In addition, they pay stipends as well as travelling allowance for study tours. The tuition and lodging is provided free of cost. We have noted earlier that this practice leads to indifferent utilisation of the training facilities. We, therefore, recommend that the CCERT should seriously consider withdrawing some of these concessions so that the sponsoring institutions bear a part of expenses involved on the training.

As the CCERT will form a separate wing of the NCUI, the funds of the Council and its accounts should be separate

from those of the National Cooperative Union of India and these funds should be administered by the Council itself. The bye-laws of the NCUI should be amended to provide for this.

### Responsibility of the Movement

We have, as required by our terms of reference, suggested in the preceding paragraphs a structure for formulation, implementation and coordination of policies and programmes of cooperative training in the country in the context of the urgent need to promote and strengthen professional management in the cooperative sector. The efficacy of the training programmes and progressive professionalisation of management will, however, depend to a large extent on the emphasis the movement itself lays on professional management and adopts positive measures necessary for encouraging it. The following are some of the important measures that the movement should adopt:

1. The functions of elected management and of the professional management should be clearly demarcated in the bye-laws of respective cooperatives. The elected boards of management should confine themselves to laying down broad policies and objectives and over-all review of performance. The execution of these policies and the internal administration of the societies should be left to the Chief Executives supported by other paid staff.

2. Adequate powers should be delegated to the Chief Executive to match his responsibilities.

3. Cooperatives should insist on appointing trained and competent personnel only and should periodically depute them for in-service training for improving their efficiency.

4. To attract well-qualified and competent personnel to the cooperatives, improvement in service condition, career prospects and security of service should be offered to them. For this purpose, cooperatives should evolve proper recruitment procedures and personnel policies coupled with effective in-service training programmes.

## EXPERT COMMITTEE ON ZOOS

Report, New Delhi, Indian Board for Wildlife (Department of Agriculture, Ministry of Agriculture, 1975. 56p+viip)

Chairman: Dr. A. P. Kapoor

Members: Shri N. D. Bachkheli. Shri Pushp Kumar. Shri K. Parameswaran Pillai.

Secretary: Shri N. S. Adkoli.

### APPOINTMENT

The importance of zoos in educating the masses on wildlife cannot be over emphasised. The role of zoos in conservation of many rare forms of wildlife gets prominence in a country like ours where phenomenal growth of human and

cattle population has ravaged the habitat to threaten their very existence in the wild. The part played by zoos to provide an inexpensive, efficient, and refreshing pastime is too well known.

Several zoos have come into existence in India since the middle of the last century. Even though most of them might have fulfilled the requirements of the time, they have to keep pace, with modern developments in view of the changing concept of the role of zoos. A few good zoological parks have been established after independence as a result of increase in interest in wildlife and wildlife conservation among the

thinking public. However, proliferation of zoos is not necessarily the right step towards wildlife conservation. Consequently, the Indian Board for Wildlife decided to find out the existing status of zoos in the country and make suitable recommendations to formulate norms and guidelines for improving the standards of existing zoos as well as for setting up new zoos in future. A resolution to set up an expert committee to go into the question was adopted during the IX session of the Indian Board for Wildlife in November, 1972. The Union government accepted the above recommendation of the Indian Board for Wildlife and set up an Expert Committee on zoos under the Ministry of Agriculture (Dept. of Agriculture) ;letter no J- 11022/3/72-FRY/WLF dated the 19th June, 1973.

## TERMS OF REFERENCE

1. To study the various zoos in the country and formulate norms on the basis of which zoos can be classified. The main aspects to be considered in this behalf would be the overall area of the zoo; the space for animals in individual enclosures and facilities available for feeding etc. of the animals.
2. To suggest administrative pattern for various categories of zoos.
3. To suggest methods of capture, transport and handling of animals.
4. To suggest the agency /agencies through which animals could be procured.
5. To formulate minimum standards for the maintenance of health and hygiene in the zoos
6. To examine matters relating to :  
(I) Breeding and rearing of animals,  
(II) exchange of animals within the country and abroad.
7. To suggest statutory provisions for the maintenance of law and order in the zoos.
8. To suggest powers that zoo directors should exercise.
9. To suggest means of disposal of dead animals.
10. To suggest means of collection and dissemination of specific data.
11. To examine whether a financing agency for zoos is required and, if so, what this agency should be.

## CONTENTS:

Summary; Part I:- Preface, Introduction, Acknowledgments; Role of zoos; Part II. Classification of zoos; Administrative pattern; procurement, capture and transport of animals; maintenance of health and hygiene in zoos; Breeding and rearing of animals in zoos; disposal of dead animals; Maintenance of law and order in zoos; powers of zoo Directors; collection and Dissemination of data; financing agency for zoos; part III:- Policy on zoos; working hours; publicity and public relations; Educational Activities in zoos; miscellaneous Matters,, Part IV:- appendices I to XIX.

## RECOMMENDATIONS

### Role of zoos

The zoo movement in India, historically speaking, is one of the oldest in the world. The first organized zoo was set up in Madras as far back as 1855. Trivandrum zoo was estab-

lished in 1857 and was soon followed by Bombay (1863), Calcutta(1875) and later by Lucknow (1921). Thereafter there was no significant development till after independence. In 1952, the Indian Board for Wildlife recommended that as a means of educating people in wildlife and wildlife conservation, modern zoological parks be set up in major cities. As a consequence, the Delhi Zoological Park was set up in 1955, soon to be followed by the Nehru Zoological Park, Hyderabad in 1959. The youngest to come up is the one at Kanpur wherein the work of construction is in final stages.

Zoos when these were set up in the last century, were meant mainly to exhibit different types of animals and birds. The accent was on amusement and entertainment rather than on education or conservation.

During the last century, wildlife was abundant in the country. Lions were still being shot around Delhi. Tigers were considered a nuisance, panthers, were listed as vermin. Today, they are fighting their last battle for survival. In the modern context zoos have become repositories and refuges of many an animal that has become almost extinct in the wild. With the new awareness in nature conservation that is sweeping the country and world as a whole, zoos have to play an important role in conservation of wildlife species in general and endangered species in particular.

It is, therefore, necessary to reorient the aims and objectives of zoo management in the country. The following are proposed to be the principal objectives in setting up and management of zoos in India:

Conservation:- Endangered species of India and world fauna must be not only displayed but attempts should be made to breed them in large numbers. In this content, some zoos in India have already been successful in breeding endangered Indian species like the one-horned rhinoceros, Asiatic lion, tiger, panther, linturong, white-winged wood -duck etc.

Besides endangered species, zoos should breed and multiply other species of animals with the aim of not only restocking other zoos but also eventually the depleted forests.

Zoos also serve the cause of conservation indirectly by creating in people the interest and concern for rare animals by exhibiting them and educating them about their status.

Education:- It has come to be recognised that zoos are living text books for nature study. This concept is now gaining ground in India also.

Modern zoos can form persuasive and powerful means for education of people. Zoos are primarily educational institutions, which offer knowledge of animals with ease to the scientists and students of natural history alike. Even casual visitors of various classes and ages who come to a zoo for pleasure and pastime, absorb a tremendous amount of knowledge with ease.

Research:- Zoos play an important role in scientific research. They are the logical and most convenient places for the study of animals, be it in a laboratory or in an open enclosure. Large and inexhaustible amount of material is available in the zoos for study in the laboratory or for studies of animals behaviour and social interactions in groups of animals in simulated natural habitats. Suitable records maintained in the zoos like notes on their habits and behaviour, study books, animal history sheets, autopsy reports etc. contribute to the pool of basic data on various species of animals which is often not available in any other institution.

Wild animal has come to be considered as having a cultural value. It is part of our heritage "to which the whole of mankind and particularly future generations, have a legitimate claim". Zoological parks in which these "living items of culture" are displayed contribute to the cultural environment of the country as much as a museum, a psychological monument, a botanical garden, a theatre or any other institution, if not more.

Zoos have a universal appeal to people of all ages and different educational and sociological backgrounds and economic standards. In terms of actual use zoos, more than any other institution, are of more value to a greater number of people in India with the present educational and economic background. Attempts must always be made to encourage wider and purposeful use of zoos by the weaker sections of the people who form the bulk of zoo visitors.

**Tourism and research:-** Modern zoological parks (including safari parks) form an additional source of attraction to tourists, both from abroad as well as from within the country. They also provide wholesome recreation to a large number of people by providing an outdoor setting of nature for congested urban population who have none or few healthy recreational facilities. Modern zoos have a good appeal as places of recreation for a large section of the people. The role of this factor should, however, not be over-emphasized, as otherwise this is likely to impinge on other important objectives.

### Classification of Zoos

There are at present over thirty zoos in India. They have been started at different times beginning from the middle of last century and they reflect the objectives prevalent at the time of their establishment. Some of them have tried to modernise with the changing concept whereas others have not been able to do so. They vary from mere menageries where the animals are imprisoned into cages, to zoological gardens where animals are displayed in spacious enclosures simulating their natural habitat to the modern extensive zoological park wherein animals or groups of animals are housed in large near-natural enclosures with moats, as barriers, and with necessary amenities to the visiting public. There is a wide variation among zoos with regard to the extent, method of display, amenities to visitors, administrative pattern, management practices, breeding, conservation, educational programmes, etc.

**Classification:** There are no accepted norms or standards for classification of zoos. There are several factors which contribute to the overall make-up, utility and image of a zoo. Though the importance of some of these factors can be recognised, their value cannot be rigidly quantified. Each of these factors has an independent or complementary value in shaping the overall image of a zoo. Since classification of zoos is one of the terms of reference to the present Committee, the factors which contribute to the assessment of a zoo have been identified and a broad classification has been made taking into account the cumulative effect of all these factors. Such a classification naturally becomes artificial and does not hold good for long and has, therefore, to be revised from time to time.

The factors identified for assessment in such a classification are as follows:

**Area:** The expanse of a zoo provides easy opportunity to management by way of making available adequate space for display of animals or animal groups, gardens, lawns, groves, amenities to public and allied services like stores, kitchen, quarantine, veterinary services etc. Even safari parks, fodder and cattle farms can be attached to zoo-parks if adequate space is available. An area of less than 50 ha. is considered inadequate according to modern concepts of display of animals in zoos.

**Administrative Pattern:** The status of the head of the zoo organisation has a lot of bearing on the powers and functions and his ability to take quick decisions for smooth management. Apart from the head of the zoo, the organisation required to fulfil the various functions in the zoo-management has to be taken into account for assessing the status of the zoo.

**Number of visitors:** Though it is generally true that variety and range of exhibits and public amenities enhance the popularity of the zoo, factors like proximity to tourist centres, availability of alternative avenues for pleasure and pastime also govern visitations to the zoo and hence the number of visitors may not be a correct measure of importance of the zoo. Yet well laid zoos are bound to attract large number of visitors and, therefore, the number of visitors constitutes an important factor in determining the status of a zoo.

**Number of species:** The variety and range of species exhibited, both indigenous and exotic, is an important factor to assess the value of zoos. It is quite desirable to have a large range of species on display, but this should not be attempted at the cost of their health and other amenities. Too much of crowding, without adequate moving space to inmates as well as visitors, is cruel to the animals. A harmonious balance between the number of species and areas for their display has to be achieved. Unhealthy competition to increase the range of exhibits has to be discouraged especially when conditions to maintain and display them properly cannot be met.

**Method of display:** Display of individuals or group of animals in natural surroundings blending with the surrounding areas becomes more impressive than display animals in imprisonment-like cages. Nature simulating enclosures with enough space for normal physiological process of the inmates are not only hygienic but also desirable from aesthetic point of view.

**Breeding record of important species:** Much depends on space, climatic conditions and availability of compatible pairs. But the combined effect of many factors like natural health and hygiene etc., are reflected in the breeding record of animals in the zoo. Due credit has to be given for achievement of success in breeding and rearing of young ones of the rare, endangered and difficult species in captivity.

**Veterinary facilities:** Availability of proper veterinary facilities for care of zoo animals like a well-equipped hospital, a good laboratory etc., go a large way in preventing epidemics and curing endemic diseases. The display of sick, wounded or deformed animals creates a bad impression on the mind of visitors. The mortality rate can be greatly reduced by timely prevention and cure of diseases.

**Amenities to the public:** Since zoos are public institutions meant to attract a large number of visitors, it should be



their endeavour to provide adequate amenities to the visitors. The common amenities required by the public are transport, shelter from sun and rain, lawns, shades, groves, attractive flower-beds, resting places, seats, drinking water, eating places and restaurants, public convenience, cloak room or left luggage facilities, gifts or souvenir shops, postal and telephone facilities, guides, books, first-aid etc. The zoos providing recreational facilities, especially for children, become more attractive to public. Children like to enjoy buggy, pony, camel or elephant ride in zoos and also like to see some animals perform for them. But the tendency to subject zoo inmates to perform and convert them like circus animals is not compatible with sound object of zoo-management.

**Educational programmes:** Since educating people in the values of wildlife and the life history of animals, less commonly known to them, is an important object of zoos, educational programmes like conducted or guided tours, radio, television and nature film programmes, library and reading room facilities with books and magazines on wild-life and their ecology, should become important functions of zoo. Concessions given to school, college or educational parties in entry fee and other amenities inside the zoo enhance the educational values of a zoo.

**Research facilities:** Properly equipped research unit attached to a zoo enables the management to find out ways and means to improve management and explore the wonders of animal world. Regular contacts with educational institutions, biological research institutions and museums in the neighbourhood ensure fuller utilization of research material abundantly available with the zoos.

**Other special features:** The existence of allied facilities like safari park, children's zoo, Natural History section, Museum, nocturnal animal house, reptile house, aquarium, insectarium etc. contribute to increase the scope and educational value of zoos. Hence the availability of these additional facilities enhances the appeal of a zoo to the general public.

#### Administrative Pattern

The diversity of administration in the management of zoos in the country has mainly been responsible for varying standards and lack of coordination in the maintenance of zoos. To avoid such diversity it would be desirable to have a uniform pattern of administration for various zoos, as far as possible. In foreign countries, zoos are generally started and run by the local zoological societies, funds being obtained by subscriptions, grants from Government or local administration, donations and gate collections. In India, however, there are as yet no such organizations and in view of huge funds required in setting up, it is unlikely that zoos will come forth from such agencies. Zoos in India are, therefore, likely to start only at the initiative of the government or governmental agencies. For guidance and advice in the management of zoos, it is desirable to involve interested and knowledgeable local persons, generally by forming wide based advisory committees. The persons selected as members of such committees should, however, be really interested in and devoted to furthering the objectives of the zoos. It is a fact that the usefulness of the advisory committee will largely depend on the proper choice of its members and so utmost care is needed in this respect.

The requirement of staff for running a zoo efficiently

depends on the size and variety of the animals collection, size of the grounds and nature of research and development works in hand. It must be realised that the running of a zoo is a very complex affair and the organisation should be designed and streamlined to meet the situations that may arise.

The director should be a whole-time officer and should be overall incharge of the zoo operations at the site. He is responsible to the governing body which may be the government or a departmental head or a management committee. There must be a second officer to assist the director and to function as incharge in his absence. In category "A" zoos, the various animal branches should be headed by qualified and trained curators. Their number will depend on the collections maintained. A veterinarian should be incharge of hospital, quarantine, health and hygiene. He will also be responsible for checking the quality of food. A public relations officer is essential to look after the publicity and public relations and for educational activities. Separate staff is necessary for maintenance of the buildings and gardens. A typical organisational set up for category "A" zoos is given in Appendix III. In category "B" and "C" zoos, the staffing pattern has to be on the same lines but the number at different levels may be reduced to the extent possible without affecting the efficiency of operations.

The heads of category "C" zoos should be designated as superintendents. For such zoos there may not be a separate veterinarian but a trained veterinary assistant must be provided for. Arrangements for treatment of animals will have to be made with a consultant veterinarian working nearer to zoo site.

In category "D" zoos, the overall in-charge should be a trained superintendent assisted by necessary number of keepers.

**Recruitment and training:** For administrative posts, viz., director and deputy director, it is necessary that selection is done from a wide field from amongst science graduates with biological background. Knowledge of wildlife and aptitude for zoo work should be an important criterion.

A practice in vogue has been to draw suitable persons from government departments such as forest departments and veterinary departments. This has the advantage of getting people with this desired background. But more often than not, after putting some years of service, when they really start being useful, they are required to go back to their parent departments. In the running of zoos, such short-term arrangements are not conducive to good management. Continuity of working in a post for a long period has definite advantages in a place like a zoo where the personal equation between the manager and the managed matters a lot. It is, therefore, recommended that officers working well should be allowed or persuaded to continue for as long as possible. It had, however, to be ensured that the service interests including promotional chances in the parent department of such persons are fully protected.

The curators to head animal branches should be people with adequate background of the work of the branch concerned and should have obtained special training or should be trained immediately after selection. Veterinarians will generally be drawn from the veterinary services on deputation. When requirement is met from open market, the minimum qualification should be a veterinary graduate. As nor-

mally a veterinarian receives training with reference to domestic animals only, it is necessary that he should attend special courses for wild animals to be run jointly by a veterinary institution and a category "A" zoo where such training facilities should be provided. Regarding subordinate staff, whereas supervisory personnel should better be drawn on deputation from various government departments, most of the workmen will have to be recruited directly. Recruitment Rules should lay special emphasis on physical fitness and experience in handling wild animals to ensure that only suitable hands are recruited. There should be arrangements for in-service training for the staff belonging to different categories. For this it is proposed that three training centres should be organised to cater for the needs of different regions of the country one - at Delhi for northern region, one at Calcutta for eastern region and one at Hyderabad for southern region. Such training is also necessary for inculcating a sense of discipline in the staff.

It is also necessary that sufficient promotional avenues should be provided for the lower staff. These could be associated with various trade tests and the training courses proposed. In zoos where regular promotions are not feasible in certain categories, it is desirable to have different sub-categories or selection grades.

There are obvious advantages in broadening the outlook of various categories of staff by making it possible for them to visit other zoos. It is necessary to organise inter-change programmes for staff from one zoo to another for fairly long periods, say of three months. This will enable them to obtain first hand practical knowledge of different aspects of maintenance of various kinds of animals such as diets, health, hygiene, handling and dealing with visitors as practiced in other zoos. The staff should be given sufficient incentive so that they do not suffer any financial loss.

It is necessary that technical and administrative personnel exchange knowledge between zoos of this country and abroad on reciprocal basis. Cultural exchange programmes should be organised for this purpose just as is being done for educationists (sponsored by Education Ministry) and agricultural and forest scientists (sponsored by Agriculture Ministry). It is understood that at present, besides the Colombo Plan countries, there are about a dozen other countries with which India has cultural exchange programmes and with an equal number of countries on ad hoc basis. It is unfortunate that zoos have not received the desired attention in this respect. It is recommended that a regular exchange programme should be organised for zoo personnel also.

#### Personnel management in zoos

Modern zoological parks are designed to be large in size both in respect of area as well as in number of specimens maintained. The area of Nehru Zoological Park at Hyderabad is over 300 acres, that of Delhi Zoological Park over 240 acres. Gauhati and Nandankanan will eventually have equal, if not more, area. Kanpur zoo which is nearing completion, spreads over about 190 acres and has scope for further expansion. Many other zoos and safari parks covering larger areas are being planned at Visakhapatnam, Madras, Bangalore, Bombay etc. The zoos at Calcutta, Ahmedabad and Mysore have large collection of animals and birds numbering over 200 species and 1,000 specimens. The

collection also contains large number of rare and endangered species which are almost irreplaceable. They contain exotic and costly species which it will be difficult to replace due to high cost and restrictions on imports. The collections also house dangerous and deadly animals like lions, tigers, panthers, poisonous snakes etc. To look after such vast, expensive and dangerous collections and for carrying out various other functions like landscape maintenance, watch and ward, maintenance services, administration, public relations, etc., zoos have to have large contingent of staff.

The large number of staff poses problems of personnel management. These sometimes lead to agitations on grievances which cannot be said to be peculiar to zoos alone like permanency, promotions and disciplinary action etc. Zoological Parks are, however, institutions where all normal forms of management have necessarily to be subordinated to the over-riding fact that one is dealing therein with live animals. There is a moral responsibility to look after the dumb and helpless animals since they are entirely dependent on the management for not only their daily food and upkeep, but also for their very survival. Unlike other institutions, threat of an agitation or strike places a zoo in a disadvantageous position and can be used as a weapon to hold the administration to ransom by unscrupulous and disgruntled elements. Discipline has to be maintained in a zoo where large number of visitors congregate and an act of indiscipline is likely to have an adverse effect on the visiting public. Zoos, therefore, have to be looked upon as services of public utility where agitations and strikes have no place.

It is, therefore, recommended that zoo services should be declared as essential services to enable them to function normally even during agitations and unrest.

At the same time it is essential that maximum possible efforts should be made to avoid any agitation or strike in the zoo as these can harm its interests. The problems of the personnel deserve sympathetic consideration. Animal keepers and other categories of staff connected with animal keeping have problems peculiar to themselves. They have to work often under unfavourable circumstances. Their duties include:

- (a) Unhealthy conditions; since they have to clean up cages etc., or work in impure water;
- (b) health hazards; since they are exposed to diseases like ornithosis, tuberculosis etc., (which are communicable from animal to man);
- (c) risks; since they deal with dangerous animals like lions, tigers, panthers, poisonous snakes etc., and are always exposed to the risk of injury, disablement and even death;
- (d) higher responsibilities; since they look after rare and costly animals and any neglect on the part of the keeper can cause irreparable loss;
- (e) public relations; it is a fact that a keeper has to deal daily not only with intractable animals in the enclosures but also with those outside. It is often the keeper who comes into daily contact with visitors more than any other member of the staff. He has to patiently answer endless queries, act as a guide and a disciplinarian;
- (f) strenuous work; often the keeper has to work hard and far beyond his normal hours when an animal is sick or required to be transported.

It can thus be seen that zoo staff have to perform an entirely different and more arduous work compared to any other staff in a comparable institution. It is, therefore, neces-

sary that staff dealing with animals in a zoo be given incentives and allowances to compensate for the difficult service conditions. These may include special pay, risk insurances, disability leave, selection grades, more promotional avenues etc.

#### Procurement, capture and transport of animals

The major source of supply of animals (including birds, amphibia and reptiles) to zoos in India is through private dealers and Government agencies. Donations constitute a small percentage of the total acquisition. Exchange of animals between zoos is at present very irregular due to various reasons.

Most of the trade in Indian animals is concentrated in the northern and eastern regions. The largest animal market is located in Calcutta. The supply for this market comes mostly from Uttar Pradesh, Bihar and Assam. The sources of collection are located as far away as Lucknow and Bareilly in Uttar Pradesh, Patna in Bihar and Goalpara in Assam, to name only a few.

The major supply to this market is meant for export to countries abroad for which quotas have been fixed by the Controller of Imports and Exports, Government of India. The export is mostly for pets in foreign countries and helps as a means of earning foreign exchange. Insignificant percentage of the procurement is utilised for zoos in India. The supply by private dealers to zoos in India is unsatisfactory and limited to animals already available with them. Attempts to capture animals against specific order are few and far between. Capture and supply of animals is limited to traditional items, i.e., show animals and birds like sarus crane, demoiselle crane, hill mynah, parakeets and a number of munias, which through years of long experience have become established as easily procured, stocked and sold. As a consequence, it is often a common sight to see the same animals in most of the zoos in India. This, in turn, generates a demand for these animals and the vicious circle continues. This is not conducive to the advancement of the knowledge of the varied fauna of our country besides giving a monotonous look to the exhibits in zoos.

Occasionally one comes across a non-traditional animal in a zoo. This is due to the chance capture or procurement by a trapper or by a villager of such animal, which finally trickles down to the market. This comparatively rare occurrence generates a demand for it out of all proportions to its intrinsic value and thereby helps to increase in monetary value, often beyond the means of many zoos in India. The high value obtained for it in an Indian Zoo or in a foreign zoo or a pet store, creates a temporary demand which again sets in motion a vicious circle, to the detriment of the animal's continued existence in nature.

The chance of haphazard availability of certain animals and birds and limitations to "traditional items" is reflected in the tenders and/or quotations obtained by zoos from dealers, since purchases have to be made in accordance with the financial rules and regulations. Mostly traditional items alone are quoted for. Other items are either not quoted for or the prices quoted are exorbitant and no time limit for supply is ensured.

Capture and supply of animals for export and/or zoos is way of life and means of livelihood for various and generally

poor trappers and collectors in the forests and villages. It is also the only means of livelihood for a number of petty dealers. At Calcutta, it was reported by some of these petty dealers, who transport the animals and birds from the capture point to the market, that there may be as many as two lakh families, mostly belonging to the weaker section of society, dependent on this means of livelihood. Unfortunately, no statistical data is available as to the exact number of people involved or the number of animals and birds captured in the country since no systematic survey appears to have been made by any agency. This committee also did not have enough time to go deeper into this aspect.

It may not be out of place here to point out that as per the Export Instruction No.46/ 73 dated April 23rd, 1973, issued by the Ministry of Commerce, which lays down the policy for regulation of the export of wild life and wild life products for 1973-74, all items listed in Part B of the said instruction are permitted for export since they are included in Schedules II (Part I), III and IV of the Wild Life (Protection) Act, 1972 and the hunting of which is permissible as 'Special Game', 'Big Game' and 'Small Game'. s such, zoos form outlets for the trapped animals, which incidentally skim the surplus and thus help regulate the numbers in the wild in a much more humane manner than by hunting. Another factor is the comparatively small number of animals required by zoos. It is, therefore, recommended that animals may be continued to be captured on a liberal scale for supply to zoos in India.

**Capture of animals and birds:** For capture of various animals, different methods are used by the trappers. These include pits for rhinoceros, elephant and gaur and ingenious trapping cages for the carnivora like the tiger and the panther, where live bait is kept in one of the compartments and the tiger or the panther lured in. Instances were reported in Rajasthan of trapping of panthers by a "den trap" where a narrow and long den of stone rubble is constructed in the animal's path. The animal is lured by means of a live goat or buffalo calf into the long den and the trap door dropped by a self operating mechanism to trap the animal inside. Reports were also received of blackbuck and chinkara being captured in Rajasthan, from a jeep or other vehicle by chase. The animal becomes tired after a long chase and just stands still and stares back. It is then picked up and taken. Many animals like gaur etc., are picked up from herds of grazing cattle, with which they get mixed up. Often cubs of clouded leopards and the hoolock gibbons etc. are collected from their 'lair' by tribals. Animals like chinkara, chowsingha, hare, fox etc., are trapped by a net spread across their path and the animals driven into it or by snares kept on the ground and trapped by an alert shikari.

As far as birds like demoiselle cranes etc. are concerned, trapping is done with the help of a net and with snares. In Rajasthan, the great Indian bustard is caught by chasing from a jeep and when the bird gets tired and stops stock-still behind a low bush or shrub, it is captured. Sand grouse are caught by the use of moving lights and gongs at night. Small birds like munias and other finches are caught with the help of nets spread on the ground. Partridges, quails etc., are caught in nets with the help of decoys. Birds of prey are often caught by baiting to a net trap with a pigeon or quail on which it swoops.

The various methods in vogue and those which could be

gathered from the evidence brought forward, appear to be old and archaic. No modern method of capture is followed. Modern methods like use of mist nets and capture guns could be tried for this purpose. Before trying out these methods, it is essential to train personnel in the use of mist nets and the capture gun and what is more important, in working out doses of anaesthetics involved in the latter case, under Indian conditions.

The cost of capture gun and related equipment is quite high. They are not available in the country and have to be imported. Capture guns also require a high degree of professional and technical skill and specialisations in working out the types of tranquillisers effective for different animals and dosage in each case in the field. These two factors impose an inhibition on its free use for capture of animals and birds in India.

It is recommended that capture and trapping of animals should be taken up by Governmental agency, which should include a team of workers specialised in the capture of animals by modern methods. Such a team can be set up in each State as a part of its wild-life organisation. The expertise regarding dose etc. available in zoos may be fully used. The team should have personnel trained to look after and treat the animals after capture in the field.

Special care has to be taken to reduce the mortality in animals not only during capture, but also during the period immediately thereafter which is quite crucial. In the case of long-legged birds like the crane, stork, bustard etc., the application of massage with fat and use of hood over the eyes is prevalent among the trappers, who traditionally make attempts to see that the captured animals are transported urgently and in good condition to the market. Similar practices are also sometimes followed in the case of other animals. It is however necessary to reduce the after effects of the trauma of capture in an animal which is mainly responsible for mortality. The use of tranquillisers for this reason deserves to be investigated for various animals. The extra cost involved in administering tranquillisers would, it is hoped, far outweigh the traditional methods by getting a large number of animals in a better condition which would also ensure a longer life of the animal in captivity.

**Transport and handling of animals:** After capture, the second harshest traumatic experience that an animal has to undergo is during its transport from the capture point to the market or to the zoo. It has to contend with strange noises, smells and sights. It is often crammed into a small crate with a number of its fellow travellers and subjected to bumps as the crates are handled, loaded and dumped into trucks, railway wagons etc. Already weakened by its earlier shocks, the animal is liable to fall a prey to the fresh onslaughts due to bad handling. It is stressed that live animals must not be handled like any other cargo or merchandise. This cardinal fact is often lost sight of by all those engaged in transporting the animals to their destinations.

**Surface transport:** Most animals are transported from capture point to the nearest rail head by road. From interior forest points they are transported often on foot or carts, if the specimen is not large and/or its numbers are not too many. Thereafter most of animals are transported by rail by private parties as well as zoos, since it offers traditionally the fastest and cheapest means of transportation. Transport by air within the country is not yet common.

The volume of traffic in each case is not known since statistics on this aspect are not available. However, there is reason to believe that this is of a fairly high order. It must be remembered that since live animals, often in a weakened condition, due to reasons stated earlier, are involved, it must be ensured at all points that transit is as rapid as possible. Delay may be disastrous. The sooner an animal reaches its destination and is placed in competent hands, the better are its chances of survival.

At present a number of inhibiting factors are prevalent, some of which are reviewed hereunder:

(a) "Wild animals" are usually not accepted in brakevans, necessitating delay and engaging of special wagons. This places unreasonable restrictions on movement of animals besides increasing costs and time. All animals provided they conform to standards of crating and are transported in crates below a specified size could be carried in brake-vans.

(b) At present live animals are sometimes charged at more than normal rates for cargo. This tempts dealers in particular to send animals in very small crates to save costs. All animals should be charged the same rates as for other cargo. This will encourage dealers to send animals in more spacious crates.

(c) At present rates charged by railways are according to the weight or size of the crate. This practice encourages dealers etc., to (i) make as small crates as possible, (ii) cram as many animals as possible in the crate. Overcrowding is one of the important factors resulting in mortality of animals in transit. To reduce this factor, it is desirable that crates may be prescribed according to the type and size of animal to be carried. The type and size of crates for different types of animals may be prescribed after detailed investigations. All crates must have proper labels affixed giving instructions to the handlers regarding:

- (a) the nature of the cargo;
- (b) which side is 'up'; and
- (c) feeding schedules, watering instructions etc.

The labels should be standard patterns. This will help in mass production and, therefore, result in lower or negligible cost. Labels should be simple and use symbols which can be understood even by unlettered persons who will be handling them in transit at various points.

The restriction in taking wild animals in brakevans sometimes results in exorbitant transport costs. Even for one or two animals like tiger or lion special carriages or wagons like V.I.P.s or V.P.s have to be hired. These are usually eight wheeler bogies meant for carrying all types of cargo. Often the entire charges of these bogies have to be borne by a party, which for a single animal comes to a large amount especially where animals have to be moved over a large distance. The railways should consider the charging of rates for the animals concerned only and not the entire carriage.

To ensure rapid movement of the animals and to avoid handling (loading and unloading) at points en route, animals should be transported in express or mail trains where such trains run. In other cases they should be transported in passenger trains which run with the least possible charge of carriages to the destination. Where animals are to be carried over rail, they should be kept in carriages as far away from the engine as possible to avoid the psychological stress of noise of the engine and the crowd.

Where animals are carried in brake-vans or other car-

riages, they should be kept in separate compartments and away from other cargo containing strongly smelly articles like fish, meat and meat products, chillies etc. and other cargo which are likely to upset the animals.

The use of tranquillisers during transport by road or rail and air requires to be further investigated and encouraged to reduce shock and thereby decrease mortality.

Insurance of live animals in transit over the railways should also be considered either by the railways or by the insurance companies.

The transport of animals by air is the most suitable means available for most animals. At present transport of animals by air within the country is negligible. This can be ascribed to the following inhibiting factors:

(a) The almost prohibitive cost involved. The charges are very high as compared to surface transport.

(b) In the case of large animals, there are limitations on the size of crates due to the size of the hold in the air-craft.

(c) Standards of crating are more rigid in this method of transport than in others.

Transport of animals by air must be encouraged so as to reduce mortality en route which is more likely in surface transport due to the larger time factor and hazards of handling. To encourage transport by air it is desirable that transport of wild life gets priority and concession over other air cargo.

Since zoos usually have rare and limited stocks of animals which they can ill-afford to lose in transit, it is desirable that recognised public zoos be given concessions so that air transport of rare and delicate species may become more prevalent both inside and outside the country. It is learnt that similar concessions are offered by some airlines abroad.

The type and design of crates for different groups of animals which can be transported by air requires to be standardised in keeping with the requirements of the animals, strength of crates, limitations on size according to space available in the hold of the aircraft etc. In this case, I.A.T.A. regulations may be followed, with suitable modifications, for Indian conditions.

It is also desirable that some airline personnel are trained in proper handling, loading and unloading of animals at more important air terminals.

Exchange of animals: One of the important methods of stocking and enriching zoological parks with both indigenous and exotic animals is by exchange.

Exchange is carried out between zoos and private parties. Exchanges are made normally with surplus animals, usually bred in the respective zoos. However, sometimes, animals not required by a zoo for any specific purposes like breeding, display, study etc., are also exchanged with zoos where such requirements and facilities exist. However, exchange between zoos in India is limited mostly to indigenous animals, and to a very small extent to foreign animals, due to restricted number of foreign animals in Indian zoos and consequently lesser number of such animals becoming surplus for exchange.

Exchange of animals between Indian zoos at present is not methodical and is limited to the chance information received by a zoo director from his colleagues through personal communication, discussion during visits and on hearsay. Correspondence is prolonged since most zoo directors do not

have adequate powers to carry out the exchange even after agreeing on the terms. They have to obtain sanction of higher authority even in case of simple exchanges involving nominal values. It is essential that in the matter of exchanges the opportunity should not be lost by default or delay. Zoo directors should have adequate powers to carry out exchanges of animals. It is also known that often an element of commerce comes into the proceeding which is not conducive to furthering the aims of zoo management. As a consequence, one sees empty enclosures, single animals and monotonously similar exhibits in zoo after zoo.

It is, therefore, recommended that exchange of animals between recognised zoos in India should be liberal and based on the principle of mutual benefit, requirement of breeding of animals, research etc., rather than adopting a commercial view of such exchanges.

Where exchange of animals with private parties is concerned, it is desirable to be a little more circumspect. Restricted powers have, therefore, been suggested in Appendix VII for zoo directors in this respect. These powers are, however, necessary in order to permit a zoo director to advantageously exchange animals promptly since usually private parties do not wait for any length of time where live animals are involved. The guiding criterion in such cases should be the need of an individual zoo, taking into account various factors like vacant enclosures, incompatible pairs, lonely animals, existence of research and study programmes etc.

Exchange of animals with foreign institutions, has its own problems which inhibits display of foreign animals in Indian zoos.

It is now well recognised that display of the fauna of the world provides a wider base for education of students and other classes of people and enhances the popularity of the zoos. It is, therefore, necessary to procure selected exotic animals for the zoos in India.

In view of restrictions on the release of foreign exchange, it is not always possible for zoos to purchase exotic animals according to their requirements. Hence they have to enter into exchange or barter deals with foreign zoos and parties. This position has been recognized in the Import Trade Control Policy of the Government of India, whereby zoos are permitted to exchange animals with foreign zoos.

The procedure for implementation of exchanges is as follows:

Zoos enter into correspondence with the foreign zoos usually after receiving surplus lists or obtaining information through publications etc. After arriving at an equitable exchange, zoos in India have to approach the Ministry of Agriculture through their respective Governments. The Ministry of Agriculture examines the proposal and thereafter writes to the Ministry of Commerce for issue of an import permit. Simultaneously, the Ministry of External Affairs is also addressed in the matter. The Chief Controller of Imports and Exports thereafter addresses the local import and export authority. The zoo has then to apply in a prescribed form to this authority for issue of the permit. The procedure normally takes a fairly long time to go through and in the meantime the foreign parties who do not have to go through such procedures are usually impatient to send the animals due to fear of mortality, limitations of space, increasing feeding costs, onset of unfavourable climatic conditions etc. For export of animals in exchange, export permit from the local

authority and Reserve Bank clearance from a regional office has to be obtained before the deal can be completed. This procedure usually takes considerable time. Foreign parties often become discouraged due to reasons already mentioned and wish to withdraw from the deal. This not only brings disrepute to the country, but also results in many disadvantages for the Indian zoos, which have to retain their animals for a longer period without any benefits of display, breeding etc. It is, therefore, necessary that this procedure for exchange of animals with foreign parties should be simplified.

It is recommended that in case of animals listed as special game, big game and small game, in Schedules II (Part I), III & IV of the Wild Life (Protection) Act, 1972, which are permitted to be hunted and trapped as well as exotic animals, should be allowed to be exported by zoos in barter deals without any restrictions. Recognised zoos may be permitted to correspond directly from the local import and export authority without following the lengthy procedure laid down at present. However, in case of endangered Indian species listed in Schedules I and II (Part II) of the Act, clearance from the Ministry of Agriculture may be obtained after the zoo has made preliminary inquiries and come to an agreement with the foreign parties. Here also, the procedure may be simplified in consultation with the Ministry of Foreign Trade.

In some cases it may not be possible for zoos to procure exotic animals on exchange basis only. It is likely that the Indian zoos may not have the animals required by foreign parties or that the parties do not wish to have any animals in exchange. In such cases, the release of foreign exchange for purchase of foreign animals should be considered favourably. The procedure may be streamlined with a view to avoid delays as suggested earlier.

### Maintenance of Health and Hygiene in Zoos

Maintenance of health of animals in a zoo is of primary importance. The zoo management should at all times pay a very high priority to this objective.

Most of the zoos are unable to provide the basic requirements for maintenance of proper health. In many cases shortage of space and funds for expansion have resulted in their inability to provide adequate living space and even semi-natural conditions to the animals. Lack of adequate staff and powers are responsible for inadequate sanitation because the large accumulation of garbage resulting from excreta of animals, left over food as well as litter left behind by the increasing number of visitors and the drying and decaying vegetation, are not cleared as fast and as efficiently as required for maintenance of proper hygiene. There is inadequate use of disinfectants largely due to shortage of funds. There are limitations regarding supply of proper and varied diet as well as purchase and application of prophylactics and therapeutic drugs. Lack of suitable equipment and facilities for capture, transport, restraint and observation are also responsible for not providing immediate attention to the sick and wounded. The experience gained in this context in a zoo is rarely available to another zoo.

### Hygiene and sanitation

The adage that "prevention is better than cure" holds

good with all its force for the zoos. The basic requirements in this respect are:

- (1) sufficient open space for the animals;
- (2) nutritious diet;
- (3) clear water;
- (4) proper shelter from extremes and vagaries of climate;
- (5) providing of environment close to natural habitat;
- (6) sufficient companionship to permit physiological processes of the animals; and
- (7) general sanitation.

**Space:** Every animal or group of animals should get sufficient space for their movement and exercise. The design of enclosures must be based on the needs of the animal.

**Food:** Clean and nutritious food and regularity of supply ensure good physical conditions. It would be advisable for major zoos to maintain their own fodder and cattle farm and fish breeding at least to meet emergent needs. The food should be enriched with vitamins, mineral supplements etc. In case of outside supply of food, the food should be inspected by the veterinarian. At present zoo directors do not have adequate freedom to vary the feed and to experiment with the best one needed and suited to the requirements of the animals. This is due to the fact that in most cases the feed is purchased by calling for tenders once a year which once settled cannot be varied easily. Secondly, schedules of feed are fixed and varying them is difficult. It is necessary that zoo directors should have adequate powers to vary and purchase feed according to the requirements of each species.

A varied diet suited to the requirements of each species is very important from the health point of view. A bland and monotonous diet is not conducive to good health.

Hygienic storage and distribution of animal feed is very important. Storage arrangements should be such that all rodents and insect pests are kept out since they are the carriers of various diseases which can spread to the zoo animals.

In the distribution of feed also it is essential to ensure that clean and hygienic utensils are used. Personnel handling feed articles or cooking them must also be enjoined to observe strict personal hygiene at all times.

**Water:** Clean water supply is necessary to help in preventing a number of communicable diseases. The moats and pools should be cleaned periodically and, as far as possible, drinking water should be drawn from protected water supply system. A few animals like sambar, lion, hippopotamus like to wallow and for this adequate provision should be made. To minimise the rate of infection and to meet emergencies, the surroundings provided for various animals should be based on their ecological requirements. Keeping of enclosures, animal houses and cages clean of excreta etc. at all times would minimise the risk of infection. While cement concrete floor may be desirable from the point of preventing pests and parasites seeking shelter in the cages, it may not satisfy the physiological requirements of the animals nor meet the aesthetic requirements of the viewers. A compromise has to be worked out by suitable architectural designs of the enclosures to meet the different requirements depending on the species of animal concerned. As for instance ungulates would require some rough surface to wear down their hoofs; deer and antelopes would require tree trunks etc. to rub against and sharpen their antlers etc. Same is true for certain carnivores which sharpen their claws and certain birds which require hard surface to prevent unwanted

growth of beaks.

**Shelter:** Open enclosures should have shelters for protection against extremes of sun, rain, hail, wind, etc. Special heating and cooling arrangements may be needed atleast in some cases where the species are unable to adjust themselves to the changed environment of zoological garden.

**Habitat:** The vegetation, soil, water, rock-work etc. must be so manipulated as to make the animals feel homely. Requirement of the individual species must be kept in view at the time of the designing and construction of the enclosures.

**Companionship:** Animals should be displayed in pairs or groups according to the habits of the species in the wild and to provide companionship which may help in breeding. Where different species live gregariously in the wild, such mixed display would be necessary. This arrangement has the further advantage of increasing aesthetic value and keeping the inmates in good temper.

**General sanitation:** There should be a permanent gang of sanitary staff with proper equipment and transport facilities like wheel barrows, van or lorry for quick and efficient removal of garbage. The use of disinfectants to clean the cages and utensils used for preparation, mixing, transport and feeding of diet should be done regularly under the supervision of trained personnel. All efforts should be made to reduce breeding and spreading of parasites and pests in the zoo.

**Veterinary care:** Knowledge regarding diseases of wild animals and their treatment is scanty at present. This is mainly due to lack of specialised training facilities and career opportunities. In most zoos well equipped hospitals and other facilities for quarantine, isolation of species, clinical testing etc. are lacking. Important requirements like tranquilliser gun and X-Ray units etc. are not available. The following measures are recommended for adoption:

**Prevention of diseases:** Disinfection of cages, enclosures and utensils used for distribution of food, water etc. must be a routine operation. Periodical operations to prevent the spread of mosquitoes, flies, snails, rodents, crows etc. which can act as carriers of diseases must be carried out. Clinical laboratories should be attached to major zoo hospitals for periodical examination of blood, stool, urine etc., so that necessary periodical prophylactic measures like deworming, vaccination against communicable diseases etc. can be efficiently undertaken. In case of smaller zoos, the assistance of local veterinary or other research institutions must be taken at regular intervals to carry out examination about existence of parasites and pathogens for the above purpose.

**Restraint:** Prophylaxis and treatment of sick animals becomes easier if methods of restraint are perfected for each kind. Isolation of an individual from a group requires skill. If the animals are habituated to come into the cells regularly either for rest or for food, it becomes easier to isolate sick animals. The zoos should, therefore, have feeding cells wherein the animals should be so encouraged and conditioned as to come at fixed hours. Physical force should not be normally used to capture or engage an animal as this frequently results in injury. Every zoo should also possess a stock of good transportation cages for quick transport. Decoying by means of attractive food is a safe and effective method to engage animals and should be used wherever possible. Restraint during treatment can be achieved mechanically by use of squeeze cages. The zoos should possess

squeeze cages for the purpose. Use of tranquillisers injected into the muscles or veins should be done only in cases of extreme need when prior knowledge of dosage, effects and antidote or reversible drug is available. Tranquilliser drugs should not be used in respect of single and rare animals as well as females in advanced stages of pregnancy, without further knowledge and experience of their use under these circumstances.

**Treatment:** 'A' and 'B' category zoos should have a well equipped hospital where animals can be restrained by means of squeeze cage, kept under observation and treated as inpatients. A proper record of observations, medications and effects shall be maintained in each case for future use. Apart from treating the sick animals in the hospital, the veterinarian should make a daily round of the zoo to observe the health of animals, feeding, general hygiene, stools, etc., and in case of doubt, clinical examination of stool, urine, blood etc., should be promptly undertaken. In case of 'C' category zoos, there should be facilities of restraint and isolation of sick animals.

A veterinary adviser should be engaged to make a weekly inspection of all animals and conduct periodical tests of faeces, blood etc.

**Quarantine:** New animals coming into the zoo as gift or through purchase or through barter should be kept away from display animals in specially limited quarantine areas for a minimum period of fifteen days before being shifted to display areas. Their food habits and behaviour should be observed during the period and in case of supply from private sources, prophylactic measures should be adopted to prevent outbreak of communicable diseases. A rigid quarantine may not be needed in respect of animals coming from good zoos under cover of suitable health certificates.

**Isolation wards:** All zoos should have isolation wards away from quarantine, hospital and display areas, for keeping animals suspected to be having infections or communicable disease. The isolation wards should be utilised for observation and treatment of such animals till a clinical examination shows that they are free from infectious pathogens.

**Breeding and Rearing of Animals in zoos:** Breeding and successful rearing of zoo animals is of great interest from several points of view. One of the primary roles of modern zoos is conservation of rare species. Zoos can, by breeding, enable a particular species to survive even though that species may be extinct or nearing extinction in the wild. Examples may be quoted of the Pere David's deer which though extinct in its native habitat China, exists in fairly large groups in a number of parks and zoos in the United Kingdom and elsewhere in Europe. Similarly, instances may be mentioned of the Przewalski's horse, the Wisent, Swinhoe's pheasant etc. Secondly, species which are threatened with extinction can find refuge in zoos where they can be multiplied rapidly for their survival or for eventual return to the wild. Thirdly, animals, though not endangered, can be bred for stocking of depleted areas. Finally, zoos can form a sort of reservoir for stocking other zoos, and thus restrict the rate of depletion from the native habitat of the species.

Certain Indian zoos have had a fairly good record of breeding endangered Indian species like the great Indian one-horned rhinoceros, Asiatic Lion, tiger, panther, black-buck, thanim, swamp deer, crocodile, linturong, white winged wood-duck, Indian wolf, lion-tailed monkey etc.



It is interesting to observe that during 1967, out of 177 animals listed as rare by the International Union for Conservation of Nature and Natural Resources, no less than 55 mammals, 17 birds, 8 reptiles, one amphibian and one fish were bred in the various zoos of the world.

Besides breeding some rare Indian species there are records of breeding of some of the exotic endangered species in Indian zoos, e.g., black rhinoceros and Swinhoe's pheasant. The breeding and raising of endangered species in Indian zoos is generally a chance occurrence. Except in a few cases like the white-winged wood-duck, the Indian rhinoceros, Indian lion, etc. sustained systematic efforts have not been possible in this direction on a country-wide basis. This is said to be due to inhibiting factors like lack of

- (a) suitable animal stock;
- (b) adequate space in zoos;
- (c) technical support services;
- (d) adequate staff and funds; and
- (e) opportunities for wide dissemination of accumulated knowledge and experience.

Some zoos have had no doubt a singular record in breeding different species of animals mainly by individual zeal. A sustained effort is, however, lacking due to factors enumerated above. As pointed out in the beginning of this report, zoos have an important role to play in conservation of endangered species of wildlife. They form the last refuge for survival of a species on the verge of extinction. It is, therefore, essential that zoos in India assume this increasing responsibility and make special efforts to breed at least one endangered species, if not more, of their choice in a sustained manner. It is also important that study book and individual specimen data be maintained for all such animals in standardised proforma and notes exchanged between zoos on a regular basis. It must be remembered that wider the dissemination of the experience and knowledge gained on the subject, wider would be the chances of attaining success in the breeding of any individual species.

For success in breeding animals in captivity, the following factors are generally recognised as important:

**Animal stocks:** It is accepted by most zoo keepers that certain species do not present any great difficulty in breeding in captivity provided the requisite minimum needs are met. These include most of the deer and antelopes, some of the big cats, budgerigars and other parrots, finches, pigeons, pheasants etc. However, there are many more species that are considered difficult from this point of view. Recent trends show that even 'difficult' species are being increasingly bred in Indian zoos with advancements made in feeding, housing and health conditions. Instances may be cited of the rhinoceros, apes and some monkeys.

Due to difficulty in procurement, high cost and possibly a desire to exhibit "as many species as possible", zoos in India have tended to keep only a pair or so of most species. This is not conducive to breeding success besides other drawbacks. Instead of trying to keep as many species as possible in the limited space available, zoos should endeavour to keep only those species which can be maintained well according to modern concepts. The aim should be to keep a group of animals rather than just pairs. This will not only allow social, psychological and physiological factors to have full play, but will also eliminate problems of incompatibility among pairs for breeding purposes and guard against the risk of

having only one animal. In keeping groups of animals the various psychological and physiological requirements like ritualistic behaviour of the species, male female ratio, total optimum population in the enclosure etc. must be borne in mind.

Knowledge and careful observation of animals on the part of the zoo staff is an important factor in successful breeding. Manipulation in the form of matching compatible pairs, changing animal partners, if found incompatible, bringing animals together at the right time, intervening judiciously in case of fights etc. are necessary in successful breeding programme in a zoo.

In case of incompatible pairs, exchange between zoos should be tried. In case of single animals a system of "loaning the animals" or exchanging these between the zoos should be practised liberally without financial or commercial considerations.

**Feed:** In animal breeding, the role of feed is of great importance. A bland and monotonous diet is not only unsuited to the continued good health of the animals but is also not conducive to their breeding. Food should be as varied as possible and should take into account (a) general requirements of individual species, (b) requirements of species preceding and during the breeding season/period and (c) requirements during the natal and post-natal periods. It is necessary that schedules and feeds should be varied in order to achieve breeding success. The usual diets are generally deficient on vitamins, minerals and trace elements. Excellent feed supplements are available in the market for increasing breeding potentials. Use of such supplements on wider scale should be encouraged. It must be stressed that a well balanced and varied diet suited to the requirements of each species is perhaps the best guarantee for breeding success.

Some of zoos in India make use of some of the hormones. Indiscriminate use of hormones can cause harm. These have to be used very judiciously.

**Housing conditions:** The environment in which the animals are kept in zoos has a great effect on their breeding. Though certain species like lions may breed in small cages of a circus, provision of adequate space is of primary importance for success in breeding. In general the following principles may be followed:

(a) Enclosures for animals and birds should be sufficiently large to give fullest opportunity of breeding rituals like chasing, dancing, play, exploration etc.

(b) Enclosures should have provisions for hiding places and privacy if the animals are oriented to such requirements. This can be in the shape of dens, rocks, bushes, polls, holes in tree trunks etc.

(c) Enclosures should meet the biological requirements of individual species e.g., polls for hippopotamus, or a soft ground for giraffe at the time of birth, withdrawal dens for large cats, right type of nests and nesting materials for birds like hornbill and so on.

(d) Architecture of the enclosures should simulate closely the natural habitat of the rare species.

(e) There should be provision for isolating the expectant mother into isolation cage or "breeding cage".

**Management practices:** Breeding success is one of the yardsticks of good management practices in a zoo. Given all the conditions listed above, the difference between success or failure depends on the handling of the animals. "Care and



commonsense" play an important role in this regard. Experienced personnel are vital for the success. Besides knowledge, zoo staff have to be ready to assist in the birth of difficult subjects. It is a common observation that most wild animals do not know how to behave at first litter. It is important to judge when one should intervene in such cases. Providing quiet and comfortable quarters and making the expectant animal get familiar with these in time is important. In certain cases removal of the progeny after a short interval of birth induces further breeding. An intimate knowledge of the behaviour of the individual animal is, however, necessary before any such step can be taken.

**Artificial insemination:** At present there is neither any practice nor attempt at breeding zoo animals by artificial insemination. The difficulties involved in using this method for wild animals are manifold and not likely to be overcome easily. However, it has certain possibilities in the case of some of the important species which have proved refractory as far as breeding is concerned. Much research and sustained effort would be required if this method is to be used. This may be tried with wild boars to begin with as a lot of knowledge on the subject is available regarding domestic species of pigs.

**Hybrids and cross-breeds:** The Committee took note of the efforts made by some of the zoos in experimenting with hybridisation and cross-breeding of different species. The Committee felt that such experiments at best form a source of publicity to the zoo but that they hardly advance the primary objectives of the zoos and, as such, do not deserve to be encouraged.

**Rearing of animals:** Post-natal care of animals is equally, if not more, important than pre-natal care of the mother. In case of mammals special care must be taken to see that the nursing mother is provided with enough nourishment to stimulate lactation, and to make it inclined towards raising the off-spring normally. As a rule it is necessary to provide undisturbed conditions. In case of certain large cats like tigers and panthers, the male is often kept away from the off-spring. The best and most desirable method of rearing the young would be to allow the mother to take care of them, as they do in nature.

However, in the artificial conditions of the zoos, due to one factor or the other, the parents sometimes abandon the baby after birth. Worse still is the case of the wild cats, wherein sometimes the mother may even kill and eat its own young. Sometimes the parent may get disabled due to injury or may die due to natural or other causes. In all such cases the zoo personnel will have to intervene and rear the young ones artificially. The methods adopted are first the use of foster parent e.g. goat or bitch in the case of large cats, wolves etc., and domestic hen in the case of pheasant etc., and secondly use is made of such artificial devices as incubators, and brooders as in case of pheasant, rhea, giant tortoise, etc. In other cases it is essential to know the exact dietary requirements of a new born baby as well as its feeding habits. At present significant success has been achieved in Indian zoos in hand rearing zoo babies such as the white tigers, normal tigers, panthers, gaur, rheas, pheasants and so on. However, no serious attempts have been made at milk analysis of various mammalian species nor their exact dietary performances have been worked out. The lack of a common forum and common publication medium has been respon-

sible mainly for nonavailability of such information to other zoos.

There is great need to carry out further research into breeding and rearing of animals particularly the endangered ones. Stress should be laid on milk and diet analysis for various species. Successful rearing methods should be standardised for each endangered species in the first instance and given wide publicity by publishing the account in the Indian Zoo Bulletin. Opportunity should be provided to zoo personnel to meet at a common forum and discuss various methods. Recommendations for these proposals have been made elsewhere in this report.

### Disposal of Dead Animals

Most zoos do not have a taxidermist for making proper use of the rare or valuable animals that die in the zoo. Salvaging of the skins, nails, horns, bones and other useful remnants of dead animals can be profitable as well as useful from the point of zoological research. Many zoos remove the skins of dead animals either with the help of their own staff or some local expertise and keep the salted skins for disposal by public auction; some get them preserved or mounted through a recognised taxidermist before disposal to either some museum or in public auction. Except in a few cases there is no liaison between the zoos and museums or zoos and scientific institutions for proper utilisation of the dead animals.

In the zoos where veterinarians are appointed, post-mortem examination is invariably conducted in respect of all animals. Bulk of the dead animals are generally buried either in the graveyard provided within or outside the zoo premises. In certain zoos situated in congested cities, the carcasses are transported to a stipulated dumping ground from where the disposal contractors collect them for salvaging skins or bones.

The opportunity of use of the dead animals for collection of scientific information and material by the universities, research institutions and museums has not yet been availed of on a large scale. Excepting a few, the zoos are not in contact with such institutions for making dead animals available to them; nor most of the zoos have their own natural history museums where such material could be utilised.

The Committee is of the view that no dead animal should be disposed off without ascertaining the cause of its death. Before permitting salvaging of the pelt, the veterinarian must certify that doing so is not likely to cause spread of any communicable disease. Every zoo should maintain a list of institutions along with their field of interest so that such institutions are contacted immediately on death of an animal. The institution should make its own arrangement to remove such remains of the dead animal as are useful to them for scientific studies or display. When not required by such institution the pelt should be salvaged by the zoo itself with the help of a trained taxidermist in its employ, who should keep record of such measurements as are needed for curing or mounting the specimen. The skins should not be stored for too long in uncured or semi-cured condition. The cured skins and other salvaged material should be stored in a separate store and disposed off as early as possible.

The postmortem room should be constructed close to the burial ground and arrangements should also be made for storing different animal products before disposal or sale.

For disposal of the carcasses, the zoos should maintain incinerators, if possible. The incinerators should be situated close to the post-mortem room in a corner of the zoo. Where it is not possible to have an incinerator, the major zoos should be enclosed by a suitable compound wall so that dogs, jackals etc. cannot enter it. The burial ground should be systematically used for dead animals or their remains. For important animals of which the skeletons may be required in future, a board to indicate the place, date and kind of animal buried should be displayed. The board should remain in position for a minimum period of one year, unless the skeleton has been removed earlier.

In case of smaller zoos, i.e., category 'C' zoos, the services of the local veterinarian of the department of animal husbandry, should be obtained for getting the post-mortem examination done. The zoo should be in touch with the local scientific institutions to find out if any scientific material would be salvaged by them out of the dead animal. If there is no taxidermist attached to the zoo, an employee knowing the art of skinning or a local person conversant with the job should be utilised to salvage the pelt provided the opening of the animal is permitted by the veterinarian. The remains of the dead animal should be disposed by use of incinerator or buried. If no such disposal is possible, the zoo should arrange for transportation of the remains of the dead animal in a closed carriage to a public dumping ground for disposal. Storage facilities for keeping uncured skins till transport to a nearby taxidermist must be provided. Cured skins should be disposed off periodically either to museums or through public auction.

The animal which is known to have died of an infection of communicable disease should not be opened up for post-mortem. It should be disposed in the quickest possible time. The enclosure, the transport cage and the attendants should all be disinfected by use of disinfectants like phenyle, detol, permanganate of potash etc.

Record of postmortem findings must be preserved. When parasites are detected, they should be properly preserved. In case of salvaging the skeletal remains against any indent from a scientific institution, the bones must be properly identified and serially numbered so that the skeleton can be reconstructed.

#### Maintenance of Law and Order in Zoos

Attendance figures in zoos show that they are perhaps the only institutions in any city where the largest number of people of various educational, economic and sociological backgrounds and different age groups congregate. During 1972-73, the total attendance in 19 Indian zoos was over 20 million, the highest being in Bombay, totalling 7.5 million.

Such a large attendance of people of differing educational and sociological backgrounds is bound to include some undesirable elements as well. It may be argued that such elements are bound to be there in any other congregation of people and not necessarily in zoos alone. But it is evident that besides normal offenses such as pick pocketing, plucking of flowers, teasing of women and children, zoos have peculiar problems compared to other institutions on account of the fact that they have the responsibility of displaying live animals including wild and dangerous ones to the public. In zoos both sides of the bars have to be kept under control

and it is the side where the humans are that usually causes most trouble.'

Many offenses are peculiar to zoos. These involve:

- (a) teasing and causing injury by throwing stones or with the aid of sticks, rods, handkerchiefs etc., or causing mental torture to the helpless dumb animals;
- (b) feeding with unsuitable food like sweets, fried and spicy substances which are likely to make the animal sick;
- (c) giving objects like old shoes, cigarette butts, key chains, nails, nuts and bolts, plastic bags, balloons etc. to animals or placing in their mouths such objects by swallowing which the animal dies due to obstruction in its system;
- (d) entering into certain animal enclosure to make an animal perform;
- (e) removing some animal for theft or for mere fun;
- (f) mutilation of animals by vagrants;
- (g) destruction and damage of animal enclosure labels and other structures and fittings;
- (h) destruction or damage of plants and other horticultural features; and
- (i) causing loud noise with crackers etc. and thus upsetting animals.

At present except in one or two States there are no laws against these specific offenses in zoos. The laws under the Penal Code are neither adequate nor comprehensive enough for this purpose.

Most of the zoo officers-in-charge with whom the matter was discussed expressed inability to check the mounting waves of offenses due to lack of adequate powers to deal with the offenders. Another factor is the lack of adequate security staff to deal with organised vandalism.

All zoo directors who were consulted opined that unless there is statutory backing, enforcement of any present day rule would be difficult. The necessity for a law or rule on the lines of the Bengal and Bombay Parks Acts and Rules with suitable modifications to meet requirements of specific zoos was strongly felt. This act, it was felt, should give to the zoo directors powers of compounding offenses and ordering fines. It was even suggested that there may be a police outpost in each zoo to meet with the mounting law and order problem.

In order to cope with the law and order problems peculiar to zoos, it is necessary that each State be requested to enact a special law for zoological parks of that State. It will also be useful if a police outpost is established in or near the zoo so that offenses may be dealt with speedily.

Draft rules for this purpose are appended to the report at Appendix VI. Besides the above, increase in the number of watch and ward staff is strongly recommended so that problems are nipped in the bud.

**Staff discipline:** Zoos are institutions wherein negligence or mischief by the staff is likely to result in serious threat to public life and property. It is necessary to maintain perfect discipline to avoid mishap. Strikes, go-slow and "work to rule" methods are disastrous to zoo-management. It is, therefore, recommended that zoo services should be regarded as essential services and the officers are given maximum authority to deal with acts of indiscipline and insubordination firmly and without interference from any quarters.

#### Powers of Zoo Directors

A modern zoological park is a unique institution. It has

extensive area, employs a large staff and above all it has the responsibility of looking after a variety of wild animals which are totally dependent for their very existence on the efficiency of management. For these and reasons already adduced, it is important to appreciate that in zoos the needs of animals have priority over all others. These needs may arise any time, in any situation and are often unforeseen and unexpected. Yet the management has always to be kept geared in anticipation to meet an emergency. Many a life can be saved and a catastrophe averted by timely action, which is the essence of success of a zoo. These needs may take any form or shape such as repairs of fences, moats, animal houses, procurement of feed and medicines, tools and equipment for the supporting services, vehicles etc.

Secondly, zoos attract the largest number of people compared to any other civic institution. Such large congregations of people present problems of their own, which must be solved in time, consistent with the requirements of the zoo. These vary from repairs and upkeep of lawns and gardens, roads, paths, shelters, water supply, water closets, direction boards and enclosure labels up-to-date, publicity material to meet people's needs etc. The visitors often do not understand administrative delays since these are not apparent to them. They only see the results of delays and carry back impressions accordingly.

It is, therefore, necessary that the man-on-the-spot i.e. the director, who faces the public daily and answers their innumerable queries, should have the option to set right things and meet emergencies as and when they arise without waiting for clearance from any other authority. For efficient management it is essential that adequate authority be vested in its director, who should be a full time incumbent. The present system of administrative and financial powers which is better suited to administrative jobs and has no relevance to a unique institution like a zoo has to be replaced by a system which would encourage managerial competency. The concept of administration should be replaced by one of management.

From the discussions that the Committee had with a number of zoo directors and officers-in-charge, it was evident that one of the major factors responsible for lack of progress has been the absence of adequate powers given to the officer-in-charge of a zoo. In some zoos there was a multitier system of administrative functions which resulted in delays in handling matters of urgent nature which had adverse effect on the condition of the zoo. The powers exercised by the officer-in-charge varied from almost nil to those of a "head of the department" in some cases.

Taking into account the above mentioned factors the Committee strongly recommends that zoo directors (according to the classifications recommended vide Appendix II of this report) exercise powers as listed in Appendix VII. It will be evident that directors of 'A' category zoos have been recommended to exercise powers equivalent to those of a "head of the department" as far as zoo matters are concerned. Only those powers are listed therein which in the opinion of the Committee bear directly on zoo management. Other administrative and financial powers have not been dealt with since these may vary from State to State. However, it is strongly felt that even in these respects zoo directors should be delegated equivalent powers since they can add to the more efficient management of a zoo.

The powers listed are the minimum required keeping in

view the present price levels. These have been arrived at after taking into account the existing practices, requirements of various categories of zoos and the responsibilities to be shouldered by their directors. They may be required to be reviewed after a period of three years.

## Collection and Dissemination of Data

**Collection of Data:** Most zoos maintain records of routine observations and related data in some form or the other. The common forms used are:

(a) Animal index cards or history sheets, giving particulars of arrival, age, name, sex and periodical observations of abnormal behaviour, health and breeding;

(b) Daily reports, giving observations of unusual occurrence in the zoo of all animals in respect of health and behaviour;

(c) Stock register showing alterations in the stock of animals by purchase, gift, sale, barter, birth or death;

(d) Death report showing the cause of death and post-mortem observations;

(e) Case history sheet giving symptoms, diagnosis and treatment of animals reported sick;

(f) Diet sheet indicating change of diet, if any, prescribed for one or a group of animals; and

(g) Study book for maintenance of genealogical information in respect of rare animals.

A few zoos also maintain records indicating the prophylactic measures periodically undertaken in respect of inmates.

All the above forms are quite useful. However, for better exchange of information between the zoos, the form in which the records are maintained need to be standardised and uniformly adopted. The zoo wing of the Indian Board for Wild Life has also stressed the need to standardise all such forms.

It will be useful if special history sheets showing record of performance of each animal species in a zoo through the years is also maintained. It is recommended that at least the following records must be maintained by all the zoos:

1. Animal stock register;
2. Animal history card;
3. Daily report;
4. Diet sheet;
5. Treatment sheet and register;
6. Report and register of post-mortem;
7. Stud book.

**Dissemination of knowledge:** A few zoos are publishing annual administration reports. Such reports should be issued by all zoos. It would be desirable to give as much scientific information also as possible in such reports. These reports should be sent to all zoos in the country. It may be advantageous to exchange them with a few important zoos abroad and other interested institutions for mutual benefit. Though there are a number of zoos in the country and a fund of information is available, there is utter lack of exchange of information with the result that the experiences gained are not available to all. Valuable information obtainable in a zoo rarely crosses the zoo boundary. Sporadic individual efforts have, however, been made to publish certain scientific observations in the existing journals like the *Cheetal*, *Indian Forester*, *Journal of Bombay Natural History Society*, the *In-*

dian Veterinary Journal, International Zoo Year book etc.

A good "Zoo Bulletin" is overdue in the country. It should be issued from New Delhi as a quarterly with the financial aid of Central agency for zoo development. The Bulletin should be divided into the following sections:

(a) General Section: dealing with situation, extent, layout, landscape, architecture, display etc;

(b) Conservation Section: dealing with breeding of endangered species, rearing and upkeep of less known animals, co-ordination between zoos to exchange animals for breeding and sharing of progeny for mutual benefit;

(c) Veterinary and research Section: dealing with behaviour, feeding, health, hygiene, treatment, pathology and allied subjects;

(d) Reference Section: dealing with procurement and disposal of animals, news and notes on important events of the zoos in each quarter etc.

It is recommended that an Editorial Board of three directors should be established for editing and publishing the zoo bulletin. One of the directors should act as Editor. He should be assisted by an assistant editor and a stenographer-cum-secretary, appointed on whole-time basis. There should be provisions to award prizes for outstanding articles and good photographs. The Bulletin should also transmit important international zoo news to the subscribers and readers.

There should be an Association or Society of Zoo Directors, Zoo Veterinarians and others interested in zoo-work and its object should be primarily scientific and its activities directed towards betterment of zoos in India. Annual conferences and seminars of this association should be arranged to encourage exchange of ideas. The conferences and seminars should be held in various zoos of the country so that the members get opportunities of visiting other zoos.

Exchange visits between zoos of the various categories of staff are also recommended. The central financing agency should sponsor and finance such visits by giving grants.

Compilation of a comprehensive Zoo Manual: There is not much authentic literature published on planning of zoos, designing of animal houses, moats, fences and walls, constructional and architectural details, maintenance, restraint and treatment of animals and other aspects of zoo management. A comprehensive manual which will serve as reference book is necessary for the guidance of designers of new zoos as well as for those who are responsible for maintenance and improvement of the existing zoos. It is recommended that compilation of such a manual should be taken up at the earliest. The work should be sponsored and financed by the Central financing agency.

#### Financing Agency for Zoos

All the zoos receive budget grants from the controlling authority which is either the Central or State Government or an autonomous body like the municipal corporation or a trust. The collection from entry charges or other revenues like the sale of animals (dead or alive), lease of kiosks, restaurants, parking lots, collection of grass etc. are not available to zoos for expenditure except in a few cases, but go as revenue receipts. In Alipore Zoological Gardens, Calcutta, the salary of the senior administrative staff is borne by the Government of West Bengal and the expenditure on the maintenance of zoo is met from the revenue receipts or

lumpsum grants. In all zoos, however, the expenditure on all accounts including salary of staff, capital works and maintenance, is much larger than the total income. Since the increase in expenditure budget has not been commensurate with the rise in living index during the years, most zoos have suffered either a stagnation or a decline in the rate of their growth. The expansion programme meant for development in cases of young zoos has also been slow due to lack of grants and rise in the overall cost of development and management.

The budget grant for zoos varies from Rs. 8000 to about 25,000 per annum. With ever increasing cost of maintenance, many zoos are unable to maintain the animals properly. Majority of the zoos have not been able to improve or expand for want of funds. As a rule, zoos receive low priority in the allotment of funds by the controlling authorities.

Finances: In a developing country like India, it is not possible that the zoos which have social and educational objectives can be converted into self-supporting commercial institutions. An increase in the rate of entry tickets is beset with the difficulty of defying the primary objective of educating the masses, as the worst affected will be the large percentage of weaker sections of the society. It is, therefore, necessary that the zoos should be heavily subsidised. The present system of different authorities controlling the zoos presents considerable difficulties for planned development of zoos as there is no free exchange of knowledge and material or uniformity in standards.

Financing agency: In view of the above practical difficulties, the only solution is that the Union Government should create a central agency in the form of a "Zoo Grants Commission" and place annual grant at its disposal for systematic improvement of zoos in the country.

Composition: The Zoo Grants Commission should be serviced by the Ministry of Agriculture. It should be an autonomous body consisting of:

- (1) Chairman (honorary or part-time);
- (2) a whole-time secretary in the rank of director;
- (3) inspector-general of forests as ex-officio member;
- (4) two directors of zoos; and
- (5) five other members to be drawn from the public and departments connected with zoos.

The secretary should be assisted by a personal assistant, one accountant, one technical officer, two technical assistants, two upper-division clerks, four lower division clerks-cum-typists. The Zoo Grants Commission should meet at least twice a year and more often, if necessary, and should be authorised to appoint specialist committees as required for a proper discharge of its functions.

Responsibilities: The Commission should assist the zoos in:

- (a) procurement of animals from abroad;
- (b) exchange of animals between Indian and foreign zoos;
- (c) procurement of medicines and equipment from abroad;
- (d) providing technical advice for preparation of plans for development of zoos;
- (e) coordinating the breeding of endangered species;
- (f) proper distribution of rare animals for breeding programmes;
- (g) allocation of funds for the following purposes:
  - (i) projects for breeding of rare species;

- (ii) research programmes aimed at improving management and connected basic research on zoo animals;
- (iii) capital works connected with expansion programmes;
- (iv) capital cost of procurement of costly animals, books, drugs and equipment;
- (v) arranging for technical expertise;
- (vi) conducting seminars and symposia for exchange of knowledge;
- (vii) exchange visits of zoo personnel within the country and abroad for mutual understanding and knowledge;
- (viii) training programmes of zoo personnel in various aspects of zoo management and taxidermy;
- (ix) compensating for unforeseen calamities like flood, fire, epidemics etc;
- (x) financing the "Zoo News Bulletin"; and
- (xi) any other special problems of zoos at any time.

Grants: The Zoo Grants Commission should annually receive grants from the Central Government for

- (a) maintenance of its staff and
- (b) grants-in-aid.

The Commission should also negotiate and receive funds from individual organisations from within the country and abroad. The funds of the Commission should be liable to be carried over to subsequent years. The Central Government grants to the Commission should not be less than one-fourth of the total expenditure budget of all the zoos together. At present, all the public zoos in India are spending approximately Rs. 6 million per annum. 25% of the existing level of expenditure comes to Rs. 1.5 million per annum.

Procedure for assistance: The member zoos should apply to the Commission with plans, estimates and programme of works for each scheme requiring assistance. The schemes must be divided into:

- (i) long-term schemes requiring assistance for a period over one year and
- (ii) short-term schemes requiring funds for less than one year.

Applications for assistance during any financial year should reach the Commission before the middle of June of the previous year. Items intended to be carried over from previous years should also be included in the proposals. Each proposal should contain an undertaking by the controlling authority that the staff and maintenance grants required for Commission aided schemes would be provided in the future budgets of the zoo. Assistance shall not cover grants for maintenance works and salary of staff, except in the case of research projects covering a specific period of not more than three years and brief training programmes. The grants made shall be spent only for the purpose for which they are given and within the period prescribed. Extension of period for execution shall be given by the Commission without any increase in the gross financial commitment for each scheme.

Powers of the Commission: The Commission shall have powers to:

- (a) scrutinise the schemes technically and alter, accept or reject the scheme submitted by the zoo;
- (b) fix up priorities in aided zoo development schemes;
- (c) lay down conditions for transfer of zoo animals procured under aided programmes;
- (d) inspect zoos to ensure proper utilisation of grants-in-aid;

(e) arbitrate between zoos on disputes arising out of exchange programmes;

(f) collect and collate data on the Indian zoos; and

(g) register and recognize zoos.

There appears to be a general tendency to relegate to the background the breeding importance of rare animals as preference is given to their display value. It is, therefore, necessary to have a Survival Service Committee of the Zoo Grants Commission which would collect information about all endangered species and direct a coordinated breeding programme. The directives of the Committee shall be obligatory to the zoos in respect of transport, upkeep and sharing of the progeny. The Survival Service Committee should get adequate financial support from the Zoo Grants Commission to fulfil its obligations.

### Policy of Zoos

A few zoos were started in the middle of the last century under the patronage of the rulers or by the municipal corporations mainly for the purpose of pleasure and pastime. The location and development of zoos do not appear to have been chosen or planned for maximum advantage to visitors and animals. There are no policies laid for the purpose of starting of zoos nor any standards or guidelines prescribed for their maintenance and development. Zoos get started because of the enthusiasm of some individuals and institutions concerned. Most of the zoos are public institutions though a few small zoos still exist under private management. Starting and running of zoos without proper finances, planning, experience and trained personnel results in non-fulfilment of the objectives for which they are meant.

It is, therefore, necessary to fix up guidelines for starting of zoos and maintaining them. At present there is no scope in this country for starting zoos under private ownership. It is necessary to start and maintain zoos as public institutions to fulfil the various objectives. In the absence of organised zoological societies and clubs with substantial financial resources, the zoos have to be run by public undertakings financed by Government, autonomous bodies or trusts. Considering the great utility of zoos, it is advisable to start good zoos in all centres of collection of people like large cities and tourist complexes. But due to limitations of resources like finances, space, extremes of climate, trained personnel and availability of exhibits, both Indian and exotic, it is not advisable to start new zoos when the existing ones are unable to develop for want of funds, personnel, space, exhibits etc.

It is, therefore, recommended that each State should pool resources for development of one or two already existing zoos situated in places where maximum number of people derive benefit from them. The State capital and important tourist complexes ensure maximum visitation. Apart from such main zoos, the States rich in varied cross-section of wildlife may open regional zoos to specialise in display and breeding of the regional fauna. The high altitude zoos, the aquaria, the arid climate zoos may be mentioned as examples in this context. Needs of local and limited interest can be fulfilled by opening deer parks, safari parks, pet corners, children's zoos, etc., which have been classified as "D" category zoos.

In starting a new zoo or developing an existing zoo, it is necessary to aim at achieving certain standards for their

management. The following guidelines are recommended in this regard:

A good zoo should be developed as a zoological park with a natural blend of animal enclosures, parks, lawns, groves, moats, cascades, water-spread and varied topography.

The space available should be large enough to provide for all the above features and semi-natural enclosures for the various groups of animals to be displayed with adequate provision for allied services and expansion. Category 'A' zoos should not be less than 50 ha. Category 'B' should be at least 25 ha., and category 'C' should be below 25 ha.

The zoo should aim at displaying all the local and regional fauna and as many important exotic animals as may be possible.

The administrative pattern given in Appendix III of the report should be followed.

The controlling authority should ensure adequate budget provision for phased expenditure on all the capital or development works envisaged for the purpose. There should be adequate guarantee of providing recurring or maintenance expenditure, modernisation and improvement. At the present price level, it is felt that the capital cost of category 'A' zoo would be about Rs. 10 millions and recurring expenditure of about Rs. 1.5 million per annum.

There should be provision for educational research and veterinary services to fulfil the accepted objectives of modern zoos.

Amenities to the public in the form of restaurants, shelters, telephone, first aid, transport, drinking water, cloak room, guides etc. must be provided.

Adequate and sustained supply of various kinds of nutritious feed must be ensured.

Provision should be made for training of different categories of staff to ensure scientific management.

The zoo should be registered with the proposed Zoo Grants Commission and thereby ensure systematic development and exchange of knowledge and material with other zoos. Wherever feasible, it would be better to bring the management of all zoos in a State under one controlling authority.

The smaller zoos with no scope for development may either be abolished or amalgamated with other zoos of the State for improvement of standards.

### Working Hours, Publicity and Public Relations

**Closure and working hours:** Many zoos do not observe a weekly closure. The working hours in many zoos cover the whole day. This causes strain on the animals as well as the administrative staff which do not get rest at all. Shifting of the animals requires a lot of time, patience and peace. This and special cleaning of enclosures are better carried out in the absence of visitors. It is, therefore, necessary that all the zoos should observe closure for one day in a week. The maximum working hours per day of a zoo should be eight.

**Publicity:** The major zoos get sufficient publicity through the medium of press, radio, television, etc. Some zoos have brought colourful pamphlets and brochures for publicity. A few have put up boards and hoardings in important public places. Since the zoo is also meant to educate the public, some amount of publicity is necessary to attract them. Adequate publicity should be arranged through audio-visual

means. There should be periodical propaganda about the important events in the zoo in the newspapers, magazines, radio and television. Pamphlets and handouts should be given out periodically for mass circulation to publicise important happenings. Extension activities must be undertaken to invite groups of people from educational institutions and conduct them on guided tours of the zoo. The zoo officials should visit educational institutions, nature clubs and voluntary organisations to exhibit films and explain the aspects of zoo management for promotion of healthy public relations.

### Public relations

Many zoos provide some basic amenities to the visitors. Although the zoos are meant to educate people while they come to visit the zoo, provision of proper guidance to visitors is lacking in almost all the zoos. This lacuna should be filled up.

The basic amenities which may be provided to zoo visitors are:

(a) convenient public transport to the zoo-site: cooperation of the local transport agencies must be sought to provide bus or train facilities to and from the zoo from important traffic points like city centres, railway stations, important educational institutions, important tourist centres like museums, historical monuments, churches, temples, mosques, etc. and all important residential localities;

(b) taxi, tonga or rickshaw stands: a place for hire carriages to wait must be provided for, close to the zoo;

(c) parking lots: parking places for private and public driven vehicles like buses, cars, scooters, cycles etc. and watch and ward to look after them at some nominal charges must be provided;

(d) communication facilities: public telephones, public address system in case of missing children etc. a telegraph and post office closely are necessary and should be provided;

(e) cloak room facilities for depositing luggage which the visitors cannot carry around with them during the zoo visit and facilities for depositing and return of lost property;

(f) public conveniences at various places in the park with proper arrangements to keep them clean;

(g) drinking water supply at various points;

(h) guide books, maps, explanatory notes about the important animals and features of the zoo at nominal cost;

(i) shelters, lawns and groves where the public can rest and escape from rain and sun;

(j) guide maps for visitors to go round places of their choice on their own;

(k) signboards and direction boards for guiding visitors at all junctions, turning and important points;

(l) boards on enclosures to give the name, distribution and other important information on the animals displayed;

(m) reading room facilities where wild-life publications can be made available to visitors;

(n) auditorium where wild life films can be screened and lectures delivered at periodical intervals with prior notice;

(o) restaurants, kiosks and bars for refreshments;

(p) souvenir shops for selling curios, picture postcards, etc. of wild life motifs;

(q) transport facilities like animal driven carriages, mini-bus, electric train, cabin lifts, chair-lifts etc. within the zoo in case of large zoos;

(r) trams and push-carts on nominal hire charges to take children around;

(s) children's corner with pets to fondle with;

(t) information counter for supply of tourist and zoo information to visitors;

(u) mini-museum to display the embryo, eggs, young ones, skeletal and other parts of economic importance, nests, ecto- and endo-parasites and charts to show common diseases of wild animals and their symptoms;

(v) suggestion and complaint boxes to invite new ideas and comments from the visitors;

(w) boards at important tourist centres in the town to display timings, tariff facilities and holiday of the zoo;

(x) picnic corners for small groups or parties;

(y) guide lecturers who can take groups of visitors around and explain the habits, habitat, behaviour and other important features of zoo exhibits; and

(z) first-aid facilities to visitors.

The zoo guide-lecturers should be conversant with English and local language and should have basic knowledge in biology. They must be trained for a period of three months by the zoo management regarding the information to be made available to visitors. Guide-lecturers should be freely available to educational groups visiting the zoo in quest of knowledge about display animals.

Major zoos should have a public relations officer. He should be a graduate in biology and trained in maintenance of healthy public relations. He should be responsible to find out and cater to the needs of visitors. He should supervise the work of the guide-lecturers. He should be responsible for all extension activities of the zoo including publicity among educational institutions.

### Educational Activities in Zoos

The increasing role of zoos in imparting education in Natural History to visitors has been recognised in many zoos in the United Kingdom, Europe, United States of America and Japan. An international zoo education officers' conference is held annually in Europe and U.S.A. In most of these zoos regular instructions in Natural History are imparted to groups of students etc. in the zoo schools as well as in front of the enclosures. Various methods like lectures, guided tours, encouragement of independent study by individuals are also adopted. In the U.S.A. there are educational centres in zoos where guides and teachers are also engaged on a voluntary basis.

Such educational programmes serve to:

(i) impart instructions in Natural History which supplements in an interesting manner classroom lectures;

(ii) arouse the interest of students in not only the animals displayed but also in their evolution, ecology and conservation;

(iii) shift emphasis from the purely entertainment value of the animal viewed, which loses its natural dignity in the eyes of the viewer, to an awareness of its functions in the scheme of nature.

The programmes include bringing out publications to further above objects.

In Indian zoos, no distinct educational facilities are provided at present. The above mentioned objectives are served to a limited extent in some zoos with the help of

charts, boards, radio and television programmes.

It is, therefore, recommended that in Indian zoos:

(a) Natural History education centres be set up;

(b) zoos should be placed on the educational excursion curriculum of schools and colleges (teaching biology);

(c) special publications oriented towards these objectives be issued;

(d) special educational charts highlighting Natural History should be put up in the zoos;

(e) audio-visual aids should be collected in the zoos to be made use of in various educational programmes in the zoo and in educational institutions;

(f) zoos should employ special educational programme organisers who should collect necessary literature, films and other material and use these for promoting love and knowledge of animal and plant life in general.

### Miscellaneous Matters

**Transfers:** In the existing zoo administration there is no scope for transfer of personnel from one zoo to the other. The experience gained by any official cannot thus become available to another zoo. It was felt by some members that it would be in the interests of coordinated zoo development to work out an arrangement under which transfer of equivalent categories of officials of zoos registered under the Zoo Grants Commission can be arranged. Such transfers, it was hoped, may deter certain officials from developing vested interests in a particular zoo-management.

### Promotions and incentives

There are certain categories of zoo staff for whom there are no avenues of promotion. Meritorious persons who by their intelligence and hard work become well-versed in certain department, should get encouragement by way of incentives in the form of either promotion or higher grades of pay. If such promotional avenues are available in other zoos, these officials should have scope to compete for such posts. Where the promotional chances are limited or altogether absent, a system of granting special select grades or merit increments should be considered, so that really competent persons do not stagnate in their scales. The Director should be empowered to grant rewards for any outstanding work done by a member of the zoo.

**Punishments:** Zoo is an institution wherein negligence of duty and improper behaviour of staff will cause great harm either to the mute inmates or the public. Commissions and omissions by staff cannot be ignored. Theft and adulteration of food and drinks leads to severe consequences. Lot of cooperation from the staff is needed at the time of shifting, treating of the sick and wounded and capturing of escaped animals. It is, therefore, necessary that discipline of the highest order is maintained among the staff. The zoo directors should, therefore, have special powers to take punitive action against erring and negligent staff on the spot.

**Entry Fees:** The fee for entry into the zoo varies from no charge to sixty paise per adult. It is necessary to keep the entry fee within the means of the lowest class of society. But free and low fee entry is likely to encourage undesirable elements to get in and cause nuisance to inmates and the public. Certain zoos charge separate fee for showing some rare

animals. This is not very desirable if the enclosure in which such animals are kept is a part of the zoo.

At the existing price index, it would be desirable to keep a maximum of Re.1.00 per adult for 'A' and 'B' category zoos. The entry fee for children, students and educational parties should be concessional and not more than twenty five

per cent of the maximum fee. The entry fee for 'C' and 'D' category zoos could be twenty five to fifty per cent of the fees in the 'A' category zoos. Whereas still and amateur movie photography could be allowed free, for professional or commercial photography separate fees should be charged. Parking, transport service etc. can also be charged separately.

## APPENDIX II : List of Zoos and their Classification

S.No.	Name of the Zoo	Place	Administration	Classification-	Remarks
<b>ANDAMAN</b>					
1.	Andaman Zoological Park	Port Blair	State Government	D	
<b>ANDHRA PRADESH</b>					
2.	Indira Gandhi Zoological Park (Asstt. Conservator of Forests)	Visakhapatnam	State Government	—	New
3.	Nehru Zoological Park (Curator)	Hyderabad	State Government	A	
<b>ASSAM</b>					
4.	Assam State Zoo & Botanical Garden, Kamrup Division, (Divisional Forest Officer)	Gauhati	State Government	B	
<b>DELHI</b>					
5.	Delhi Zoological Park (Director)	New Delhi	Central Government	A	
6.	Oyster's Pet Cent and Zoological Garden, Daryaganj	Delhi	Private	D	
<b>GUJARAT</b>					
7.	Jamnagar Zoo	Jamnagar	Private	D	
8.	Maharaja Fatheh Singh Zoo, Laxmi Villas Palace, (Honorary Curator)	Baroda	Private	D	
9.	Municipal Hill Garden Zoo, Kankaria (Superintendent)	Ahmedabad	Municipal Corporation	A	
10.	Nehru Children's Zoo and Natural History Section, Prakriti Bhava, (Curator)	Amreli	Municipality	D	
11.	Sakkar Bagh Zoo (Zoo Officer)	Baroda	State Government	C	
12.	Sri Sayajibag Zoo (Honorary Curator)	Baroda	Municipal Corporation	C	
<b>HARYANA</b>					
13.	Deer Park	Hissar	State Government	D	
14.	Mini Zoo (Divisional Forest Officer)	Pinjore	State Government	D	



# HIMACHAL PRADESH

15.	Mini Zoo (Wild Life Warden)	Renuka	State Government	D
16.	National Himalayan Zoological Park (Wild Life Warden)	Simla	State Government	C

# KERALA

17.	State Museum & Zoo (Superintendent)	Trichur	State Government	C
18.	Trivandrum Zoological Garden, (Director)	Trivandrum	State Government	A

# MADHYA PRADESH

19.	Maitri Bagh, Zoo, Bhilai Nagar (Horticultural Officer)	Bhilai	Bhilai Steel Plant	C	
20.	Municipal Corporation Zoo, Gandhi Park, Lashkar (Superintendent)	Municipal Gwalior	Municipal Corporation	C	
21.	Mini Zoo, Kamla Nehru Park	Indore	Municipal Corporation	C	New

# MAHARASHTRA

22.	Borivili Zoological Park (Divisional forest officer)	Borivili Bombay	State Government	D	Part of National Park
23.	Kolhapur Zoo	Kolhapur	Private	D	
24.	Maharaj bagh Zoological Garden (Superintendent)	Nagpur	Municipal Corporation	D	
25.	Peshwai Park Zoological Garden (Superintendent)	Poona	Municipal Corporation	C	
26.	Veermata Jijabai Bhosle Udyan, Byculla (Superintendent of Gardens)	Bombay	Municipal Corporation of Greater Bombay	C	

# MYSORE

27.	Sri Chamarajendra Zoological Gardens (Curator)	Mysore	State Government	A	
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# NAGALAND

28.	Zoological Park	Kohima	State Government	—	New
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# ORISSA

29.	Nandankanan Biological Park (Wildlife Preservation Officer)	Nandankanan (Cuttack)	State Government	B	
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# PUNJAB

30.	Mini Zoo (Inspector of Wild Life)	Patiala	State Government	D	
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# RAJASTHAN

31.	Bikaner Zoological Garden (Supervisor)	Bikaner	State Government	D	
32.	Zoological Garden of Jaipur (Supervisor)	Jaipur	State Government	C	

33.	Jodhpur Zoological Garden (Supervisor)	Jaipur	State Government	C
34.	Kota Zoological Garden (Supervisor)	Kota	State Government	C
35.	Pilani Zoo	Pilani	Charity Trust	D
36.	Udaipur Zoological Garden (Supervisor)	Udaipur	State Government	D
TAMIL NADU				
37.	Children's Park, Guindy	Madras	Municipal Corporation	D
38.	Snake Park, Guindy	Madras	Private	D
39.	Zoological Garden (Superintendent)	Madras	Municipal Corporation	C
UTTAR PRADESH				
40.	Kanpur Zoological Park (Dy. Director)	Kanpur	State Government	New
41.	Prince of Wales Zoological Trust (Director)	Lucknow	State Government	B
42.	Deer Park, Sarnath (Asstt. Conservator of Forests)	Varanasi	State Government	D
43.	Zoo-fauna Trading Emporium, 509/18, Old Hyderabad	Lucknow	Private	D
WEST BENGAL				
44.	Alipore Zoological Garden (Director)	Calcutta	State Government	A
45.	Burdwan Zoological Garden	Burdwan	Private	D
46.	Himalayan Zoological Garden (Superintendent)	Darjeeling	State Government	C
47.	Mullick's Zoo	Calcutta	Private	D

Director					
Deputy Director			Deputy Director		
1			2	3	
Animal Department			Vet.Department	Maintenance Department	
Curators			Animal Health and Hygiene	Buildings	Gardens
Mammals	Birds	Reptiles	Vet. Officer	Overseer	Supervisor
Head Keeper	Head Keeper	Aquarium Head Keeper	Veterinary & Pathological Assistants	Masons	Head Gardeners
Keepers	Keepers	Keepers	Keepers	Carpenters	Gardeners
Asstt. Keepers	Asstt. Keepers	Asstt. Keepers	Taxidermists	Blacksmith	
			Helpers	Fitters	
				Plumbers	
				Electricians etc.	
4			5	6	
Public Relations Department			Stores Department	Administration	
Public Relations Officer	Assistant (General)		Assistant (Animal Food)		
Guide Lecturers			Cooks and Food Distributors	Admin	Officer
				Office Supdt.	Accountant
					Accounts Clerks
				Asstts.	Booking Clerks
7			8	9	

## Appendix VI : Draft Rules for Prevention of Vandalism in Zoological Parks.

Rules for securing the protection of ——— from injury and misuse, regulating the manner in which they may be used by the public, and providing for the proper behaviour of persons resorting thereto:

### I. In these rules:

(i) zoological park shall mean and include all gardens, open spaces, animal enclosures or cages and other structures therein;

(ii) director shall mean the head of the park for the time being;

(iii) park or zoo official shall mean any official appointed in any office or capacity in the zoological park.

II. Zoological park shall be open to the public during fixed timings to be displayed on a notice board placed at the entrance of the zoological park. It shall remain closed on any day or days in the week as announced by the director from time to time.

III. The director shall have power to close the zoological park or any part thereof and shall also have power to restrict the use of the zoological park or any part thereof for any purpose or purposes so as to exclude any person or any class of persons, provided that previous notice of such closing, restriction or exclusion shall be displayed periodically in English and any vernacular language at the entrance of the park or part thereof.

IV. The director may on special occasion reserve part of the park for any purpose.

V. The acts and things specified in the following rules are hereby prohibited and declared to be offences under these rules:

1. Removing, damaging or injuring any fountain, pool, statue, monument, bust, post, chain, railing, fence, seat, barrier, gate, lamp, label, notice board or plate, animal house or cage, building, shed, urinal or water closet, or defacing or disfiguring the same by pasting thereon or affixing thereon in any way, any bill, placard or notice or by cutting or writing, stamping, printing, drawing or marking any matter thereon.

2. Without permission removing, plucking, damaging or injuring any timber, tree, plant, shrub, leaf, fruit, flower or grass.

3. Without permission taking, digging, cutting, damaging or removing any gravel, sand, sod, earth, clay, turf, mould, soil or any other substance without the right to do so.

4. Without permission going or attempting to go into any plantation or garden, lawn, flowerbed or any permanent or temporary enclosure or cage or any building which is marked private or reserved permanently or temporarily for any purpose.

5. Committing any encroachment in or making any enclosure or opening or attempting to open any cage or enclosure door or other devices.

6. Without written permission erecting or placing any post, rail, fence, pole, peg, spike, tent, booth, screen, stand, swing or other building, erection or obstruction of any kind whatsoever.

7. Making or forming any new road or path.

8. Entering or leaving the park except through the proper gate provided for the purpose.

9. Entering or attempting to enter the park or any part

thereof reserved or a path or area closed for entry without having first obtained permission and/or paid any fee charged for admission.

10. Taking or attempting to take into or out of the park any bird or any animal without permission.

11.(a) Removing from the park or its cage or enclosure any bird or animal or any part of the body of bird or animal without permission.

(b) Teasing or hunting or hitting or threatening or feeding any animal or bird without permission or throwing a lighted cigarette, matchstick, or any article into or near a cage or enclosure.

12. Turning out to graze or feeding any animal or allowing to stray or leave any animal in the zoological park.

13. Riding or driving any animal in the zoological park without permission.

14. Without permission of the director, using any part of the park except area thereof reserved by the director in this behalf for a picnic or pleasure party or for any such purpose using any part of the park not specified in any such permission or as pointed out by any park or zoo official.

15. Without the written permission of the director, lighting any fire, cooking any food or burning papers or rubbish or any other matter in the park.

16. Without permission drawing, driving or propelling any vehicle other than and excepting perambulators for use by children and invalids in the park and driving any vehicle in excess of speed limits prescribed or in a rash or negligent manner, or parking any vehicle in a manner likely to obstruct traffic or parking in area where it is prohibited, except by permission.

17. Using any part of the park for shacking or heating any carpet, mat or any other article or as a drying or bleaching ground by placing clothes or any other article or thing on any of the trees or bushes or on the turf, grass or ground or any fence or railing or putting up any pole or line, other support for clothes or other article, or for shaking, brushing or heating any carpet, mat or other article or thing.

18. Without permission bathing or washing persons or animals in, or washing clothes, or other articles or things in, or allowing any animal to enter into or doing any act likely in the opinion of the Director to cause the pollution of water in any stand-pipe, fountain basin or pond, pool or moat in the park.

19. Committing any nuisance in the park or against any tree, shrub, wall, railing, fence, seat or other things or under any arch or in any pool, moat, pond, lake or stream.

20. Going or attempting to go into any water closet, urinal or other place of convenience provided for the opposite sex or infringing any regulations of the zoological park set up therein controlling the use thereof.

21. Lying upon or occupying any seat in or lying about in the park in a verminous or offensively filthy condition.

22. Teasing, feeding or touching, or in any way interfering with any bird or animal confined in any aviary, cage or enclosure in the zoological park or approaching within a yard of any cage, aviary or enclosure or the moat fencing or railing surrounding the same.

23. In the park, without permission catching and trapping of any animals, or laying or placing any net or trap for the trapping of birds or animals, taking bird's eggs or nests, or shooting or attempting to shoot with any weapon any bird or

animal or chasing or attempting to chase any bird or animal, or throwing any stone or stick or missile with or without intent to injury or catch any bird, animal, game fish, fowl or reptile.

24. In the park begging or soliciting alms or without the written permission of the director selling, letting on hire, trading or carrying any merchandise, food, fruit, sweetmeats or other eatables, aerated water or intoxicating drink or any article whatsoever intended for food or drink or distributing any bill, notice or propaganda material or placing any chair or seat for hire.

25. Carrying on of any trade within the park without permission of the director.

26. Firing any gun, pistol or other fire-arm, discharging any fire work, catapult or sling or throwing any stone or stick or any missile or using any syringe, squirt or doing anything which may anger or cause mental or any damage or hurt to the animals or the public or be deemed a nuisance, obstruction or annoyance.

27. Playing or making preparation to play at cricket, football, golf, quoits, lawn tennis or any other game or athletic sports or dancing or giving a musical performance or other entertainment or flying kites, or infringing regulation of the zoological park displaying in such places controlling the use thereof, without the consent of the director.

28. Interfering with, obstructing or annoying any person or persons, who with the written permission of the director or in pursuance of any of these rules are engaged in playing or have made any preparation to play any lawful game or are otherwise lawfully using the park.

29. Retaining and not forthwith handing over to the director or any person authorised to receive any unclaimed property found in the park.

30. Entering or being in the park in a state of intoxication.

31. In the park brawling, fighting or quarrelling, cursing, swearing or using indecent or improper languages or holding or taking part in any fighting, boring or wrestling match being intoxicated, gambling playing at any game of chance, betting with cards or dice, begging, telling fortunes, selling or distributing any indecent or obscene print of book, lying on any of the seats, or lying, sleeping, sitting or resting in an indecent posture or being disorderly or wilfully or designedly doing any act which outrages public decency.

32. In the park delivering, uttering or reading any public speech, lecture, prayer, scripture or address of any kind or description whatever or singing any sacred or secular song or entering into public discussion, maintaining the right to deliver, utter or read any public speech, lecture, prayer, scripture, sermon or address or holding or causing or taking part in public assemblage or soliciting or gathering money without the written permission of the director and except in strict conformity with the terms of any such permission.

33. Refusing to leave the park after the time of closing if requested to do so by the park officials so authorised or wilfully remaining therein after closing time or climbing on or over the gates, fences or railing or camping out in the park.

34. Interfering with, assaulting, resisting or aiding or inciting any person to interfere with assault or resist the park official or other person in the execution of his duty of the

lawful exercise of any authority under these rules or otherwise or removing or attempting to remove any zoo property.

35. Throwing any kind of litter in the park, except in dustbins provided for the purpose.

36. Spitting in the park.

37. Throwing lighted match sticks, kindling fire etc., so as to set fire to the dry grass.

38. Without permission or payment of prescribed fee entering into any boat, launch or dinghy, train or other vehicles etc., of the zoological park, and behaving in a way likely to endanger the safety of the vehicle and occupants or contravening in any way the rules framed for the particular purpose by the park authorities.

39. Fishing or angling in any pond, stream or lake in the park without permission.

40. Without permission or payment of prescribed fees riding any elephant, camel or poney or any other animals in such a way as to endanger the safety of other riders or passer-by, or contravening in any way the rules framed for the purpose by the park authorities.

41. Without permission or payment of prescribed fees entering into the swimming pool or in any way contravening the rules framed for the purpose.

VI. (a) Any person committing any breach of these rules shall be liable to a penalty not exceeding Rs. 50 and for every continuing offences to a fine not exceeding Rs. 20 for each day on which such offences shall continue after conviction for the first offence or after receipt of notice from the director to discontinue the offences.

(b) The director shall have the power to impose the said fine for each offence as also to recover such amounts as he deems fit to value of any damage caused or assessed by the director. On payment of such cost or compensation all further proceedings in the matter will be ceased.

VII. It shall be lawful for the director, or any park official in charge to exclude or remove from the park any person committing any breach of the above rules and all hawkers, beggars, rogues and vagabonds, and of any such person after being ordered or warned by any park official to go therefrom, shall neglect to go therefrom, or having left the place after being ordered or warned as aforesaid to go therefrom or having been removed therefrom as aforesaid, shall return thereto, such person shall be guilty of an offence against these rules and be liable to a penalty as provided for hereinabove.

VIII. Nothing in these rules shall take away, abridge or limit any remedy now existing other than by these rules or shall interfere with the power of the police or any authority legally existing for preventing punishable offences under any other law for the time being in force.

IX. (a) Every park or zoo official or director referred to hereinabove and every other officer exercising any of the powers conferred by these rules shall be deemed to be a public servant within the meaning of section '2' of the Indian Penal Code.

(b) No suit or other legal proceeding shall lie against the Government or any of the park or zoo officials for any damage caused or likely to be caused by anything which is in good faith done or intended to be done under these rules.

# APPENDIX VII : Powers of Zoo Director

S.No.	Item	Powers to be delegated to heads of (A),(B) & (C) category zoos		
		A	B	C
		(Figures in rupees)		
1.	Works			
	(a) Capital	25000	10000	1000
	(b) Recurring	full	2000	500
2.	Purchase of Animals	10000	5000	200
3.	Exchange of Animals with authorised Zoos	full	10000	1000
4.	Exchange of animals with private parties	1000	500	nil
5.	Writing off animals	full	full	—
6.	Purchase of medicines	full	5000	100
7.	Purchase of feed	full	full	10000
8.	Purchase of stores, tools and equipment	25000	10000	1000
9.	Sale of surplus animals and product of animals	2000	1000	—
10.	Entertainment and hospitality Charges	1000	200	—
11.	Taxidermy Charges	full	full	—
12.	Destruction of disabled animals not likely to recover and unfit for display	full	full	—
13.	Appointment of Class III and Class IV servants	full	full	—
14.	Sanction of casual leave to all subordinate staff	full		—
15.	Purchase of Books and Periodicals	full	500	50
16.	Local Purchase of Stationery	200	100	20
17.	Printing and Stationery	2000	1000	—
18.	Publications	5000	2000	—
19.	Uniform and washing allowance	full	full	
20.	Rewards and Honoraria per annum per head	500	200	—
21.	Miscellaneous contingent expenditure	2000	500	—

# **RAILWAY ACCIDENT INVESTIGATION ON DERAILMENT OF 35 UP KIRTI EXPRESS TRAIN BETWEEN LAKHA MANCHI AND THAN JN. STATIONS, WESTERN RAILWAY ON 8TH AUGUST, 1973.**

Report, Delhi, Controller of Publications, 1974, 13p.

One Man Committee: Shri G.S. Pandor.  
**APPOINTMENT**

In accordance with Rule 4 of the Ministry of Tourism & Civil Aviation's notification No.Rs.13.T(8)/71 dated the 19th April 1973, the Committee was constituted on August 8, 1973 to enquire into the accident of derailment of 35 UP Kirti Express Train between Lakha Manchi and Than Jn.stations.

## **TERMS OF REFERENCE**

To inquire into the derailment of No.35 Up Kirti Express, at about 00.06 hours on the night of 7th/8th August, 1973 at Km. 180/12-9 between Lakha Manchi and Than Jn. stations on the Rajkot-Meshara Single Line Meter Gauge section of the Western Railway.

## **CONTENTS**

Summary, Inspection of site and Inquiry; The Accident;

Casualties; Relief Measures; The Train; Local Conditions; Summary of Evidence; Discussion; Conclusion.

## **CONCLUSION**

On full consideration of the factual, material and circumstantial evidence, I have reached the conclusion that the derailment of 35 Up Kirti Express train on the night of 7th/8th August 1973 between Lakha Manchi and Than Jn.stations on the Western Railway was the result of a deliberate act of sabotage of track.

The dastardly act was committed by person or persons unknown who opened the joints and fastenings of a rail, 39' in length, at Km.180/12.9 and displaced it slightly towards the centre of the track from its former intact position.

## **Relief Measures**

I am satisfied that the relief arrangements were as efficient as could be expected in the circumstances.

# HIGH POWERED STUDY TEAM ON THE PROBLEMS OF HANDLOOM INDUSTRY 1973.

Report, Delhi, Controller of Publications, 1975, xxvii, 105p.

Chairman: Shri B. Sivaraman.

Members: Shri S.R. Ramamurthy; Shri A.K. Saikia; Shri K.D. Sharma; Shri V. Venugopal Naidu; Shri H. Nanjundiah; Shri S.S. Sharma; Shri Harbans Singh; Shri G. Yazdani; Shri S.K. Bagchi; Shri H. Jelshyam; Shri Konda Lakshman Bapuji; Shri M. Somappa; Smt. Pupul Jayakar; Shri T.R.S. Vijayaraghavachari; Shri Abid Ali Ansari; Shri R. Swaminathan; Shri T. Rangadasappa; Shri P.L. Sivaram; Shri Mani Narayanaswami.

Member-Secretary: Shri A.N. Varma.

## APPOINTMENT

The High Powered Study Team on the Problems of Handloom Industry was appointed in pursuance of the decision of the Handloom Conference held in New Delhi on September 20, 1973. The Resolution emphasises that the Team should study in depth the problems of the Handloom Industry and the Weavers in order to suggest a programme for development of this sector in the Fifth plan period. The Ministry of Commerce, Government of India constituted the High Powered Study Team on December 29, 1973.

## TERMS OF REFERENCE

- (i) To suggest programmes for development of the handloom industry in the Fifth Plan;
- (ii) To suggest measures for the maximum utilisation of the export potential of the handloom sector;
- (iii) To suggest measures for building infrastructure and providing adequate inputs, particularly finance to the handloom sector; and
- (iv) To review the position regarding reservation and to suggest changes in policy, if necessary.

## CONTENTS

Preface; Summary of Recommendations; Introduction; Organisational Structure; Technical Development; Scheme for Intensive Development of Handlooms; Inputs for the Handlooms Industry; Finance and Credit Facilities; Problems of Marketing; Export Promotion; Reservation for Handloom Sector and the Powerloom Competition; Acknowledgments; Annexures from I to III, Appendices from I to V; Dissenting Note by:

- (i) The Representative of the Government of Maharashtra,
- (ii) The Representative of the Government of Tamil Nadu,

(iii) Konda Lakshman Bapuji.

## RECOMMENDATIONS

### Organisational Structure

The All-India Handloom Board should be once again brought back to its premier position as the eyes of the Government of India in the matter of handloom development. The Central sector financing should be with the advice of this Body. Central schemes and Centrally sponsored schemes should be monitored by the Board and its advice about modifications should be given due weight.

Central allocations should be based on an effective utilisation of the resources given by the Centre and the Handloom Board could play an effective part in ensuring that resources are usually spent by the States and the institutions for the approved schemes.

A high-powered statutory All-India Handloom Board is necessary to discharge the several functions which the Board has to perform. Till such a statutory Board is set up, it is necessary to ensure that the present Board effectively takes over the various functions that the Team has postulated for it and that there is effective response from the Ministry to the suggestions of the Board. Therefore, immediately the All India Handloom Board may be made effective and close liaison with the Ministry and Board established. The Board should set in motion a process of review and scrutiny of the present situation of the handloom industry in the various States and prepare the ground for effective introduction of the schemes proposed by the Study Team.

A separate Directorate should be created under a Development Commissioner for Handloom in the Ministry of Commerce charged with the responsibility for dealing with handloom alone. Unless concentrated attention is paid to this sector, any large scale improvement in the handloom sector would not be possible. The Development Commissioner's organisation should be helped by technical personnel well versed in the handloom technology.

For the proper growth of the handloom sector it is necessary that wherever the handloom population is reasonably large in a State, there must be a separate Handloom Directorate which shall not be in charge of the powerloom since the interests of these two sectors are contradictory.

The coverage of the weavers' inactive cooperative societies should be 60% of the total by the end of the Fifth Plan period. A purposeful programme has to be taken up to achieve this target on the following lines:



(a) Establishment of a Cell in the Commerce Ministry to attend to problems of the handloom cooperatives in some depth. The Development Commissioner for Handlooms may be made ex-officio Commissioner for Handloom Cooperatives;

(b) A scheme of rehabilitation of handloom cooperatives to be undertaken on the same lines as the scheme of rehabilitation of agricultural cooperatives which was taken up on the advice of the Rural Credit Survey Committee of the Reserve Bank. Societies have to be classified into viable ones, those that can be made viable by supervised credit or by amalgamation and those that have to be wound up. The main ingredient of the scheme of rehabilitation will be the share capital participation of the State Governments. To enable the State Governments to participate in the share capital, the NCDC may be made the body for giving loans to the State Governments for share capital participation.

(c) It is necessary that the Central Banks are made to return the reserves of weavers cooperatives which are not statutorily required to be retained and some means found to put them into liquidity against the locked up funds in the share capital and etc. If necessary, a Tiding-over Finance in the shape of Government share capital should be given to them; and

(d) A closer involvement between the apex marketing societies and the primary weavers societies should be established so as to ensure supply of the necessary yarn and other inputs to the weavers and arrange for the marketing of the cloth produced by the weavers in the primary weavers societies.

It will be against the interests of weavers to interfere with the Master Weaver sector till the cooperative sector is sufficiently developed and is able to give full service to the members. It would be necessary to ensure a minimum wage in this sector so that there is no temptation to pay low wages because of a buyer's market. If master weavers are to be brought into controlled system of input distribution, only such of them as are duly registered in the books of the Director of Handloom should be accepted into the system.

There are large concentrations of looms outside the effective cooperative fold and the Master Weaver fold for which an effective rehabilitation programme will have to be drawn up. During the Fifth Plan period, such a programme should be limited to the scheme for intensive development of handlooms. Units of 5 thousand to 10 thousand looms in a compact geographical area should be taken up under this scheme and not more than 25 such units may be taken up during the Fifth Plan period, suitably distributed amongst the States having more than 40 thousand looms each. States with larger number of handlooms should be given a larger number of units subject to their capacity to organise and run them.

#### Technical Development

At the Central level, the management of the technological institutions and the Weavers' Service Centres should be entrusted to a separate body designated as the All-India Handloom Research and Design Development Association. The objectives of the Association may be:

(i) to investigate into (a) the usability, manufacture and improvement of materials used in the textile and allied industries; (b) utilisation of the products of the textile industry;

(c) improvement of various machinery and appliances used by the textile industry and allied trades; and (d) improvement of processes of manufacture with a view to securing greater efficiency, utilization and reduction of costs;

(ii) to undertake directly or assist members in the execution of sample orders;

(iii) to establish, equip and maintain laboratories, workshops and factories and carry on experiments and to provide funds for such work; and

(iv) to prepare, edit, print, publish, issue, acquire and circulate books, papers, periodicals, etc.

The Association shall be governed by a Managing Council of 15 members to be nominated by the Government consisting of, inter-alia, the representatives of the Development Commissioner, Handicrafts and Handlooms Export Corporation of India, All-India Handloom Fabrics Cooperative Marketing Society, apex weavers' cooperative societies, private exporters, State Governments, ex-officio Regional Directors of Weavers' Service Centres, etc. with the ex-officio Chief Executive Director as the Member-Secretary.

The Council will have to be vested with certain autonomy and controlling powers if it has to effectively play the role entrusted to it. It should, inter-alia, have sole and full control in regard to all matters relating to the management and organisation of the Association, as also powers to take offices or acquire premises for the use of Association and to appoint at their discretion, remove or suspend managers, secretaries, officers, clerks, agents, etc. whether engaged on permanent, temporary or special service basis, to determine their powers and duties, fix their salaries and emoluments and, where considered necessary, prescribe security in such instances and to such amount as the Council considers desirable.

The designing, research and servicing activities of the Association shall be under the general direction and supervision of the Chief Executive Technical Director, who will be the ex-officio Member Secretary of the Council. He would be in charge of the Central Coordination Office, assisted by three Regional Technical Directors who shall be appointed by the Council.

The entire expenditure for the institution and management of the association with its Central agency as well as its regional organisations like Weavers' Service Centres and training institutes such as Indian Institute of Handloom Technology shall be met from the budget grants of the Central Government earmarked for the handloom and other cottage industries development activity.

The field of work of the Institutes of Handloom Technology and the Weavers' Service Centres should be clearly demarcated. The Institutes of Handloom Technology shall undertake the following functions:

(a) Basic or fundamental experiments;  
(b) Long and short-term training courses to train experts and artisans; and

(c) Preparation and publication of technical literature. The activities of the weavers' service societies shall extend to the following areas:

(a) Routine experiments;  
(b) Field servicing work;  
(c) Assisting members in the execution of sample orders;  
(d) Evolving new designs and supplying the same to weavers and weavers' organizations;  
(e) Holding of exhibitions and demonstrations; and

(f) Acting as a pace setter in the highly competitive and changing export field.

To assist the exporters to trade with more confidence with their samples, manufacture of samples of lengths upto 100 yards in each selected design should be undertaken by the Centres. It is proposed that 10 to 15 handlooms in each Weavers' Service Centre should be reserved to undertake execution of such sample orders. This new activity would help the development of the centres and give a commercial bias to their activities.

The location of the Weavers' Service Centres will have to be suitably oriented to the intensive development areas that are being developed in the various States and the export-oriented groupings that are also being developed, so that training and servicing closely follow the area development approach. As there is a constraint of availability of suitable personnel, there has to be a priority of location of Weavers' Service Centres to support the main development programmes.

There will be a greater demand for good management expertise when the cooperative sector is strengthened and marketing developed as recommended by the Team. Management studies should be sponsored by the prospective employers either in the cooperative sector, State sector or the private sector.

For weavers' training, a suitable follow-up programme including supply of improved appliances should be taken up. This should be a definite programme with a specific target in terms of number to be trained during the Fifth Plan period for which funds may be provided in the Central sector. This should be followed up by practical training with selected societies and production organizations so that the trainee is able to stand on his own feet when he leaves the institute.

The stipend paid to the trainees should be suitably enhanced as the rates of stipend being paid at present are too low.

The responsibility for organising and financing the detailed extension services in the intensive development area, so that the new techniques and designs reach the weavers, should be entrusted to the State Governments. The bulk of the service would be really rendered by the extension groups of the State Governments which will be based on the Weavers' Service Centres so that they can draw upon the expertise of the centres and disseminate it in the field of their action.

#### Scheme for Intensive Development of Handlooms

The organisational set-up for each intensive development unit for handlooms should be in a position to undertake the following services for the weavers:

- (a) Provision of adequate quantities of yarn;
- (b) Modernisation of handlooms where necessary to make production more efficient;
- (c) Organisation of trading;
- (d) Organisation of credit required by the weavers;
- (e) Arrangements for the marketing of not less than 50% of the production and, if required by the weavers, 100 % of the production;
- (f) Organisation of extension service for passing on higher levels of technology in handlooms to weavers; and

(g) Maintenance of a Raw Materials Bank to ensure a continuous supply of yarn, dyes and chemicals and (if necessary) organisation of a suitable dyeing unit to support the production programme.

It may be necessary to own such an organisation under the Company Law, limited however to State administrative and technical personnel and other interests who could help in the development of the weavers. The membership, inter-alia, should comprise a Project Director who should be a high level handloom expert trained in management and business, the officer-in-charge of the concerned Weaver's Design-cum-Training Centre, a representative of the commercial bank which has undertaken to finance the weavers, an officer of the State Government drawn from the department entrusted with the handloom portfolio, a representative of the State marketing organisation and three progressive weavers of the project area. A project Executive Board of these members with sufficient freedom of action should be in a position to organise the unit.

The equity capital for this company should be contributed on a 50:50 basis by the Centre and the States. In case of States backward in handloom development, loans for part of their equity capital may be organised from the Centre to tide over any gap.

Since the extension organisation in handlooms should be a State responsibility, the necessary provision of funds for the employment of extension workers under the project may be found by the State Government from its handloom budget.

The project can each year take 1000 to 2000 weavers under its fold and in a period of five years cover 5000 to 10000 weavers who have got active looms or looms that can be activated. The Weavers' Service Centre will be the nerve centre for the design development and the training of the weavers in their area for improving their output and enabling them to earn more. Sufficient travelling allowance and facilities should be given to the staff of the Weavers' Service Centres to liaise with the project authority and help their extension workers in assessing the requirements of the project and planning the programme of extension.

A qualified extension worker suitably trained in handloom extension should be able to handle 1000 looms over a period of three years starting with 500 looms.

Before the project is undertaken, there should be a survey of the handlooms in the project area in order to determine the exact problem and the prevailing levels of efficiency. The constitution of the project Board before whom the project would come up for consideration would ensure that all aspects (namely, financial, marketing, technical, etc.) are suitably taken care of. The project, after general approval of the Board and the State Government, should be sent to the All-India Handlooms Board for their consideration, advice and approval. The Ministry of Commerce, on the advice of the All-India Handlooms Board, will then pass on the finance which the Central Government agrees to bear on the project.

The project area should be divided into 10 sub-centres, each of which will be the headquarters of an extension worker and the location for the bank representative and the project representative to meet the weavers in the area periodically to receive their loans applications, make recommendations and, if necessary, arrange for the funds and take back the cloth to pay for the advance so that periodically at the

centre the bank is assured of the liquidity of its funds and recovery of its loans. If the project authority takes this responsibility the commercial banks would be only too willing to cooperate.

The projects will have to organise the purchase of suitable yarn according to the requirements and organise its distribution so that the weaver gets it preferably at prices less than what the merchant in the local market would have offered him. The project should also engage a suitable marketing expert who can arrange local marketing for some of the production and centralised marketing through the centralised organizations in the urban centres for the rest of the production. Having decided upon the type of production which should be within the capacity of the weavers, the work should be so distributed amongst the members that they have substantial work and are able to earn decent wages.

The ultimate objective of the project should be to enable the weavers under the project to transform themselves into a cooperative organisation. The process can start with organising the weavers under each branch/unit of the project into a cooperative and then passing the work of the area of the society, with the project continuing its service, to the cooperatives.

### Inputs for the Handloom Industry

The supply of yarn to the cooperative sector can be ensured best by promoting cooperative spinning mills. In respect of the handlooms outside the cooperative fold, the NTC mills could be linked up with the handloom sector.

It has also to be ensured that the yarn manufactured by a cooperative mill in a mainly handloom area is supplied in full to the handlooms. In addition, the yarn availability of the NTC mills should be reasonably linked with the handloom requirements outside the cooperative sector.

The Textile Commissioner should ensure that straight hank yarn will be utilized by the handlooms and the objective should be to see that 300 million Kg. straight hank yarn is produced every year for the handloom sector. The Textile Commissioner should also ensure minimum 62.5% production in straight hank form. There should also be a suitable provision in these orders to enable cooperative spinning mills and State sector spinning mills to provide even a higher proportion of yarn in straight hank form in order to suit local requirements.

The Textile Commissioner must strengthen his organisation and ensure that the mills carry out his orders (regarding production of yarn in straight hank form) in full. If any statutory support for punitive action by him against the mills is lacking, the Government must provide the same immediately.

It is necessary to ensure that between expansion of the more efficient cooperative mills to 50,000 spindles capacity and installation of new spinning mills, the one million extra spindles (reserved by the Ministry of Commerce over and above the automatic licensing capacity of 25,000 if cooperative spinning mills come forward) are availed of during the Fifth Plan period and if possible brought into effective operation during the Plan period.

The total capital requirement for setting up spinning mills in the cooperative sector would be of the order of Rs 175 crores. Members will have to find about Rs. 22.5 crores

and the State Governments/NCDC about Rs. 45 crores. Loan capital of more than Rs. 100 crores will have to be found from long-term lending institutions. The NCDC will have to find extra Rs. 18 crores to help the State Governments to find their share of the equity, to supplement the Fifth Plan provision of Rs. 22 crores in the State sector for share capital and Rs. 5 crores already provided by the NCDC for this purpose.

In the States of U.P., Bihar, Orissa and Assam which are backward in cooperative efficiency, spinning mills are particularly required and therefore the share capital in these areas has to come substantially from the State sector. The Reserve Bank should give facilities for medium-term financing to the weavers in order to enable them to contribute to the share capital of the cooperatives. (Such facilities are available to sugarcane and cotton growers).

Special steps will have to be taken to get funds for I.F.C.s so that they can invest funds to the tune of more than Rs. 100 crores in the spinning mill sector to enable the recommended priority programme to be put through.

Special steps should be taken to ensure that the machinery acquired for the cooperative and the State spinning mills is provided on a priority basis within a reasonable time frame and on a reasonable price formula.

Where there is a serious shortage of yarn and an active black-marketing in yarn, it will be necessary to organise a suitable distribution channel in the State to ensure that the handloom weaver gets his yarn and at a reasonable price (inclusive of transport cost) at a retail market. The devising of a system of controlling raw cotton and yarn prices should receive serious consideration and in the meanwhile a suitable supervised distribution organisation set-up in the States.

The Reserve Bank should ensure that credit on the hypothecation of free yarns by the mills and middlemen is suitably checked and long periods of hold-up prevented.

Any organised distribution system should aim at providing 50% of the requirements of the primary cooperatives in a pre-requested package of counts and quantities every month. It should be possible for the primary cooperatives to look after themselves reasonably well by going to the market for the balance and any variations they may require during the month.

The Government may work out an arrangement under which the manufacturers make available the required quantities of dyes and chemicals to a few specified institutions etc. in each State for final distribution to the handloom weavers. The State Governments should work out the consumption data on the basis of past lifting and the producers can make available these quantities directly for distribution to the handloom weavers.

The Institute of Handloom Technology should run course for training managers. There should be a system of further training in production organisations which may be selected from practical cooperative societies and/or organisations in the non-cooperative sector. The candidates for these courses should invariably be sponsored by cooperative institutions and private entrepreneurs who could give a suitable undertaking and guarantee that these trainees will be employed by them in the handloom sector. As far as possible the candidates should be selected within the fold of weavers.

The stipend for such trainees should be suitably increased, if necessary, by imposing some financial obligation

on the sponsoring organisations so that suitable candidates are forthcoming for this training.

The existing scheme for modernising the handlooms in the States for better efficiency should be taken up as a Centrally sponsored scheme on 50:50 basis.

Processing facilities must be linked up with the marketing organisations that are being developed either through apex cooperatives or Trading Corporations set up by the States so that there is an effective link between production, processing and marketing. These processing facilities may also be developed in the Centrally sponsored sector on a 50:50 basis.

Pre-loom processing facilities such as dyeing and sizing should be provided in sufficient magnitude to support the improved looms. This should be done through Primary Cooperative Societies as a Centrally sponsored sector scheme on a 50:50 basis.

### Financing and Credit Facilities

In cases where the central bank is weak and unable to obtain finance from the Apex/ Reserve Bank and the societies are consequently not able to take benefit of this source of finance, the effective remedy may be to arrange direct financing of the Primary Weavers' Societies from the Apex Bank.

There is no constraint on the availability of funds from Reserve Bank for the cooperative sector. The problem is rather of the societies being unable to come up to the norms set by the Reserve Bank of India even though these norms are not excessively strict or onerous. However, it is in the best interest of the cooperative societies to observe the financial discipline laid down by the Reserve Bank and to improve their own operating efficiency within the framework of the RBI scheme. The State Governments have, however, to ensure that the Apex Cooperative Banks and the Central Banks are fully aware of the provisions of the RBI schemes so that they can assist societies to draw maximum advantage from this scheme.

The limits laid down under the RBI scheme may be revised upwards in view of the rising costs of production and living, as follows:

	Rs
Cotton handloom weavers	1,000
Woollen handloom weavers	2,000
Silk handloom weavers	2,000

It does not seem necessary to further liberalise the present system under which the Reserve Bank, besides an overall 25 percent limit, allows an additional special limit on holding of stocks. Maintaining a relationship between productivity and actual predication on the one hand and between production and credit and holding of stocks on the other is very essential.

The proposed intensive development programme can be organised in the 265 districts in the country which are covered by the DIR scheme of the nationalised banks. It should be possible to persuade these banks to finance these weavers under the DIR. The interest rate under the DIR may be more favourable than the rate of 1 1/2 percent below bank rate now given to the weavers in the cooperative fold.

There may not be any objection if the DIR rate is equated with the rate charged by the cooperatives, if that facilitates taking up a larger programme.

The programme of development suggested by the Team will still leave a certain percentage of the handloom weavers without active support even at the end of the Fifth Plan period. It is, however, more important to see that these proposals are effectively implemented. A larger programme on the basis of misguided sympathy may make the entry scheme ineffective.

If the cooperatives are to be encouraged any financing of a system (like handloom finance and marketing corporations set by the State Governments) which keeps people away from a cooperative, is detrimental to cooperative development. The RBI should fully follow the policy of making the credit of the cooperative handlooms effective and for this purpose should bring in various methods which have been inducted in the field of agricultural credit particularly provision of share capital to the cooperatives through the State Governments. Till the RBI steps in, the N.C.D.C. should provide this facility.

The supply of yarn and arranging the marketing of produce in the area covered under the intensive programme should be the main lines of activity of the Handloom Finance and Trading Corporations. With the strengthening of the cooperative system, the bringing in of the Intensive Development Programme and the spread of DIR scheme there would be no case for any finance from the State Plan resources through the Handloom Finance and Trading Corporations for the handloom sector. The trading operations can be done substantially on the ways and means credit which can be obtained from scheduled banks outside the plan frame. The banking institutions will be glad to extend credit to those Corporations and even give them DIR credit.

Problems regarding financing and credit have arisen mainly because of lack of proper supervision of credit, marketing arrangements and difficulties in making recoveries. Financial discipline has to be enforced and, therefore, supervision of credit by Extension staff and efficient marketing are of prime importance.

### Problems of Marketing

The Apex Marketing Societies have to get more involved in marketing functions since the past experience is that the primary weavers' societies cannot run their own marketing organisations.

The Apex Societies must take responsibility for supply of yarn for a reasonable percentage of weavers' requirements and arrange to market at least 50 percent of the production of the primary weavers society through a central organisation. The primary societies can be expected to deal with the balance 50 percent of production of local marketing. The Apex Marketing Societies should immediately strengthen their organisations and take over this responsibility in a phased manner in each State.

The State owned Corporations/Emporia should deal with the marketing of the produce of individual weavers and as far as possible bypass the master weavers who should be able to market their own goods themselves.

## Marketing Subsidies

Aid should be given in the form of subsidy to Apex Societies and State Corporations for putting their show rooms. A managerial subsidy should also be given for three years on a tapering basis. This expenditure may be shared by the Centre and the States on a 50:50 basis.

The All-India Handloom Fabrics Marketing Cooperative Society should be suitably strengthened and made an effective marketing organisation. Grants for setting up new handloom houses and also for decoration, renovation and air-conditioning of existing handloom houses on reasonable basis should be allowed to this organisation from the Central sector.

If a rebate system is accepted by the State Governments, they should make it a point to reimburse promptly the legitimate rebate to the societies.

If the various recommendations made for putting the handlooms in a competitive position vis-a-vis the powerlooms and the mills are accepted, the handloom goods could get their fair share in the market and no subsidy would be necessary. However, a change over from a system of subsidy to one of no subsidy should be effected gradually over the next three years by tapering of the subsidy. With a reduction of the expenditure of 'subsidy the State Governments can use the available funds for (i) share capital loan to weavers, (ii) managerial subsidy, (iii) training expenses, and (iv) contributory provident fund.

If any State decides to continue the subsidy it will not be advisable on the part of other States to discontinue it and thereby put their cooperatives at a disadvantage with respect to the cooperatives in the State which continues the subsidy.

## Export Promotion

Suitable equipment has to be developed and supplied to the export sector to ensure that the following main defects noticed in handloom products exported are effectively removed.

(i) Absence of required threads per inch prescribed in the purchase order.

(ii) Colour bars due to uneven picking.

(iii) Colour variations arising from uneven dyeing.

(iv) Lack of uniformity in width of fabrics.

Special additional loom attachments necessary for producing piece lengths of 40 metres and above should be made available.

A Common Facility Service Centre equipped with improved machinery may be provided for an area covering 500 to 600 looms engaged in export orders, for the provision of facilities for pre-loom processing and post-weaving finishing stages. It would be thus possible to render the preparatory processes in the production of bulk export varieties uniform, reduce production costs and increase work output. Such Service Centres will also make for better supervision and effective control.

The Institute of Handloom Technology should take up on immediate basis research work on post-loom weaving process including pre-shrinking finishing by pressing and suitable drying.

The Weavers' Service Centre must be equipped to make samples and sample lengths that are required by the foreign

buyers and for which the exporters can place orders within the time specified. If the rough amount of business that is expected in a year at various Centres can be worked out by Export Promotion Council and indicated to the Central Council of the Design and Service Centres, it may not be difficult to organise this service on cost basis.

In the case of silk handloom cloths, facilities have to be developed for pre-shrinkage and making the fibre crease resistant.

The promotional effort specially in the field of advertisement has to be specific in regard to the actual sources from where the products advertised will be available. It may be cheaper for the handloom exporters to have joint advertisements with their buyers abroad for their material along with the other materials with the buyers, who are generally chain store organisers. The big export houses including HHEC and the Fabrics Society should also be enabled to go into specific advertisement business in the important markets.

The All-India Handloom Board would be the best advisory body in the matter of cash incentives necessary for furthering handloom exports. Not more than a third of the handloom funds should, in each year, be earmarked for this purpose and if any additional funds are required because of the export situation and the need to earn more foreign exchange such finances should come from the consolidated fund.

The problem of getting a large number of experienced cutters, designers and production managers should be examined quickly by the All-India Handloom Board and a suitable training scheme formulated for immediate implementation under which nominated trainees could be sent for training abroad to learn the latest techniques in the field of handloom garments.

A suitable scheme should be formulated under which senior designers of the Weavers' Centre are sent abroad to understand the coming trends in fabrics so that the necessary adjustments and annual changes could be made in our production programmes to fit them in with the requirements from foreign countries.

It is necessary to develop under an Export Oriented Pilot Production Scheme 50 production units in important handloom centres in the country which are now contributing to the export market and which have highly qualified handloom weavers. Each Centre should develop within a period of 3 to 4 years, 1000 handlooms which can work according to specific orders in the export market. Such units will have to be sponsored by export houses. The HHEC and the Fabric Society may also sponsor some unit in order to maintain their supremacy in the handloom export market and State Handloom Marketing Organisation can also take up such units. For every handloom under the project, investment for modernising the equipment should come from the Centre. Power-loom processing and post-weaving and finishing facilities would also have to be provided so that the produce is of top quality. Each unit will have to organise extension service for training of the weavers in the new equipment and ensuring the quality of production. Since these units are sponsored by export-oriented organisations, it is presumed that arrangements for the supply of yarn, credit and marketing of production will present no problem.

Design, colour and fabric quality changes are continuously taking place in the consuming markets of the world

and continuous research support will be necessary for export promotion. It is important that field scale trials are held of the laboratory findings particularly in certain areas like preparatory processing, weaving, processing and diversification of production. A suitable programme for this purpose should be prepared by the All India Handloom Board. It should be possible to try out laboratory results on field scale in about, suitably scattered, 500 looms. It would be easy to locate these looms in the Export Units.

#### Reservation for Handloom Sector and the Powerloom Competition

Eight items which are now reserved both for handloom and powerloom units with four looms or less shall be reserved exclusively for the handloom sector.

The handloom industry needs special protection as it could be one of the important programmes for raising the lowest three deciles of the production to the minimum consumption level. Besides, in our strategy for rural employment, we need viable industries in the decentralised sector which can provide a living wage and the handloom is eminently suited from this point of view.

The advantages that the powerlooms have over the handlooms with their better technology and almost the same level of excise vis-a-vis the handloom sector has to be set right so that the powerlooms are no longer in a position to underbid the handlooms in their legitimate markets. The excise differential between the powerlooms and the handlooms should be of the same order as between the composite mill and the handloom sectors.

The Texmark system should be reintroduced and strictly enforced with the legitimate objective of taxing the powerloom cloth. Till such a system is introduced, the excise may be levied on the yarn utilised by the powerlooms as suggested by the Ashoka Mehta (Powerloom Enquiry) Committee, 1964.

Steps should be immediately taken to impose a handloom cess on powerlooms to close the gap in the incidence of excise on powerlooms vis-a-vis the mill sector, in respect of all qualities of cloth produced. The income derived from this cess should be used specifically for the development of handlooms.

Till an equitable tax structure is evolved the excise to be levied on powerlooms shall be based on a compounded levy,

a duty on yarn and a processing duty.

The compounded levy may be fixed at Rs. 300 per powerloom irrespective of the number of looms in a unit. The extra compounded levy shall be imposed in favour of handlooms. The entire levy may be treated as a handloom cess and the amount that is at present realised as compounded levy may be deducted and made payable to the contingency fund and the balance credited to the Handloom Fund.

The excise duty on free yarn, other than hanks, be jacked up to the extent necessary for bringing the yarn duty on powerlooms to a reasonable level vis-a-vis the mills. The additional duty may be collected in the form of a handloom cess on yarn for the benefit of handloom development. As the composite mills sector uses its own yarn it should be possible, in the excise frame, to leave it out of the purview of this cess.

The cess may tempt the powerloom interest to put in mechanised contrivances to reel hank yarn suitably for powerloom use. Such reeling should be prohibited with punitive measures. Part of the cess levied should be utilised to build up a strong excise organisation to ensure that such misuse of yarn does not take place.

The processing duty in case of powerlooms should be jacked up by at least 20 percent so that some part of the differential in the overall incidence of taxation between the mill and powerloom sectors is covered. This extra levy shall be in the form of a handloom surcharge creditable to the Handloom Fund.

Since viable rural industries have an important place in our Plan strategy, it is necessary to induct more and more people in the rural sector into the handloom industry. This Team has identified areas where additional investments are necessary during the Fifth Plan to give a boost to the handloom industry. Unless these investments are ensured and the recommended infrastructure brought in quickly, there will be a serious deterioration in the unemployment and underemployment position in the handloom sector.

It is expected that the recommended handloom cess, compounded levy and the processing duty will benefit the handloom fund to the extent of about Rs. 20 crores per annum. This fund should be utilised for various schemes recommended by the Team for the improvement of handloom during the Fifth Plan period and thereafter.

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